University of London

608080

REPORTS

FROM

COMMITTEES:

TEN VOLUMES.

— *(1.)* —

ACCOUNTS, PUBLIC; ANCIENT MONUMENTS;
ARMY (ROYAL ARTILLERY AND ENGINEERS, ARREARS OF PAY);
CANAL BOATS BILL; CARRIERS ACT;
COMPANIES ACTS, 1862 AND 1867.

Session

8 *February* — 14 *August* 1877.

VOL. VIII.

1877.

REPORTS FROM COMMITTEES:

1877.

TEN VOLUMES:—CONTENTS OF THE

FIRST VOLUME.

N.B.—*THE* Figures *at the* beginning of the line, *correspond with the* N° *at the foot of each* Report; *and the* Figures *at the* end of the line, *refer to the* MS. Paging *of the Volumes arranged for The House of Commons.*

ACCOUNTS, PUBLIC:

217. First Report from the Committee of Public Accounts; together with the Proceedings of the Committee, Minutes of Evidence, Appendix, and Index - - - - - - - - - p. 1

ANCIENT MONUMENTS BILL:

317. Report from the Select Committee on Ancient Monuments Bill; together with the Proceedings of the Committee and Minutes of Evidence - - - - - - - - - - 173

ARMY (ROYAL ARTILLERY AND ENGINEER OFFICERS, ARREARS OF PAY):

382. Report from the Select Committee on Army (Royal Artillery and Engineer Officers, Arrears of Pay); together with the Proceedings of the Committee, Minutes of Evidence, Appendix, and Index - 189

CANAL BOATS BILL:

327. Report from the Select Committee on Canal Boats Bill; with the Proceedings of the Committee - - - - - - - 365

CARRIERS ACT:

234. Report from the Select Committee on the General Carriers Act; together with the Proceedings of the Committee, Minutes of Evidence, and Appendix - - - - - - - - 373

COMPANIES ACTS, 1862 AND 1867:

365. Report from the Select Committee on the Companies Acts, 1862 and 1867; together with the Proceedings of the Committee, Minutes of Evidence, Appendix, and Index - - - - - - 419

FIRST

REPORT

FROM THE

COMMITTEE

OF

PUBLIC ACCOUNTS;

TOGETHER WITH THE

PROCEEDINGS OF THE COMMITTEE,

MINUTES OF EVIDENCE,

AND APPENDIX.

Ordered, by The House of Commons, *to be Printed*,
16 *May* 1877.

217.

Tuesday, 13*th February* 1877.

Committee of Public Accounts nominated of—

Sir Walter Barttelot.	Sir John Lubbock.
Lord Frederick Cavendish.	Mr. O'Reilly.
Mr. Cubitt.	Sir Charles Mills.
Lord Eslington.	Mr. Seely.
Mr. Goldney.	Mr. William Henry Smith.
Mr. Thomson Hankey.	

Monday, 12*th March*, 1877.

Ordered, That the Appropriation Account of the Ashantee Expedition, Vote of Credit for 1875-6, presented on the 8th day of February last, be referred to the Committee.

Wednesday, 18*th April* 1877.

Ordered, That the Committee have power to send for Persons, Papers, and Records.

REPORT - - - - - - - - - - - - p. iii
PROCEEDINGS OF THE COMMITTEE - - - - - p. xx
MINUTES OF EVIDENCE - - - - - - - - - p. 1
APPENDIX - - - - - - - - - - - - p. 79

FIRST REPORT.

THE COMMITTEE of PUBLIC ACCOUNTS have made Progress in the Matters to them referred, and have agreed to the following FIRST REPORT:—

YOUR Committee have examined the Appropriation Accounts of the sums granted by Parliament for the year ending on the 31st day of March 1876, together with the Report of the Comptroller and Auditor General upon each separate Account. The excesses on the Votes for the year ended on the 31st of March 1876 were voted before your Committee had the opportunity of settling the Report, but not until they had examined the Accounts. The amount of the several deficits voted are in accordance with the views of your Committee.

CIVIL SERVICES.

CLASS I.

VOTE 14.—SURVEYS OF THE UNITED KINGDOM.

1. A DEFICIT of 3,311 *l.* 3 *s.* 3 *d.* has been voted for this service.

2. The Comptroller and Auditor General calls attention to the sum of 17,475 *l.* 15 *s.* 9 *d.* owing by the Landed Estates Court, Ireland, for maps, the cost of which is repaid to the Exchequer as an Extra Receipt, when recovered from the sales of estates. It appears that on the average there is an interval of about two and a-half years between the expenditure on this service and its repayment. Your Committee recommend that, if practicable, the system of charging for these surveys should be changed, so as to do away with the necessity for these arrears; but if not, the long delay in repayment should be taken into consideration in fixing the rates of charge. Q. 9—21. Appendix.

VOTE 26.—LIGHTHOUSES ABROAD.

3. A voucher, satisfactory to the Comptroller and Auditor General, has been received for the payment of 8 *l.*, mentioned in his Report, and a deficit of 931 *l.* 12 *s.* 3 *d.* has been voted for this service. Q. 47.

4. The question arises in connection with this and the Board of Trade (Vote 8, Class II.) Account, as to the proper mode of charging a payment, which has been made for a service provided for by a Vote, but which does not fall under any of its Sub-heads, when authority for raising a new Sub-head has not been obtained from the Treasury before the total of the Grant has been exceeded. Q. 32—42.

5. The Comptroller and Auditor General suggests that the expenditure of 200 *l.* 5 *s.* 2 *d.*, which has been charged under a new Sub-head, "Tunis, Cape Bon," should have been temporarily defrayed from the Civil Contingencies Fund, inasmuch as there were no funds to meet it at the time when authority to raise the new Sub-head was applied for. It was stated to your Committee that, in the view of the Treasury, any excess of expenditure upon a Vote should be shown upon the Account, and that if an advance were made from the Civil Contingencies Fund to defray such expenditure, that object would not be obtained; and also, that the use of the Civil Contingencies Fund should be as limited as possible, and confined to the two objects of enabling the Treasury to make a cash advance to departments which, owing to unforeseen claims upon them, had arrived at the limit of their Grant; and to provide funds for new and utterly unforeseen services.

6. In answer to the objection that, if the Treasury sanction an excess upon a

Vote, it is, in fact, sanctioning money being paid from one Vote which properly belongs to another, it was stated that the Treasury does not, by authorising the raising of a new Sub-head, sanction the excess of expenditure, which it has no power to do, but only directs the Department which has incurred the expenditure to leave it on its Appropriation Account, so that the irregularity may be brought before the Committee on Public Accounts.

7. Your Committee concur in this opinion, and consider that there is no difference in principle between the case in question and that of a deficit caused by an excess of expenditure under authorised Sub-heads. They therefore recommend that all final payments made for any service provided for by Parliament, should be charged on the Vote for that service, and shown on the Appropriation Account.

Vote 27.—British Embassy Houses and Consular and Legation Buildings.

Q. 48—53. 8. The defalcation by the Clerk of the Works at Constantinople is stated to be in the course of adjustment at the present time.

CLASS II.

Vote 1.—House of Lords.

Q. 54, 55. 9. The Comptroller and Auditor General observes that there is no note in this Account, or in the Estimate, to the effect that one of the officers received remuneration in addition to the fixed salary of his office. In accordance with the recommendation of the Committee of Public Accounts, last year the Treasury issued a circular to the various Departments, calling Q. 56—70. their special attention to previous recommendations on this point. In this, and certain other instances, it appears that the instruction with regard to the appending of such notes was not understood to apply to the present Account; but it was stated that the notes have been appended to the Estimates for the year 1877-78.

Vote 3.—Treasury.

10. A deficit of 26 *l.* 12 *s.* 8 *d.* has been voted for this service.

Vote 5.—Foreign Office.

11. A deficit of 83 *l.* 14 *s.* 10 *d.* has been voted for this service.

Vote 6.—Colonial Office.

12. A deficit of 318*l.* 9*s.* 3*d.* has been voted for this service.

Vote 8.—Board of Trade.

Q. 109. 13. It is stated that Treasury authority has been obtained for the salaries of officers appointed under the Merchant Shipping Act of 1875; and that a proposal made by the Board of Trade is now under the consideration of the Treasury for the apportionment of expenditure between the Mercantile Marine Fund and this Vote. The fees referred to by the Comptroller and Auditor General in his Report will be paid into the Exchequer.

Q. 112 14. A detailed list of persons employed in the Survey Branch of the Board of Trade without Civil Service certificates, is being furnished to the Treasury with the view of obtaining for the persons so employed certificates of qualifica-Q. 113—117. tion from the Civil Service Commissioners. Treasury sanction has been given to the remuneration for extra services adverted to by the Comptroller and Auditor General; but the question as to the payments made to the Procurators Fiscal in Scotland is still the subject of communication between the Treasury and the Lord Advocate.

15. A deficit of 7,751 *l.* 16 *s.* 11 *d.* has been voted for this service.

Vote 11.—Civil Service Commission.

16. A deficit of 326 *l.* 19 *s.* 10 *d.* has been voted for this service.

Vote 21.—Paymaster General's Department.

17. The force of the objection of the Comptroller and Auditor General to the employment of a redundant officer who had failed to obtain a fresh Civil Service certificate, is admitted by the Treasury; but it is stated that the sanction to his employment was given in the full expectation that he would obtain such certificate. Q. 119, 120.

Vote 34.—Lord Lieutenant's Household.

18. A deficit of 4 *l.* 5 *s.* 11 *d.* has been voted for this service.

Vote 39.—Public Record Office, Ireland, &c.

19. A deficit of 18 *l.* 15 *s.* 3 *d.* has been voted for this service.

Vote 40.—Office of Public Works, Ireland.

20. A plan for an amended staff of messengers is now under the consideration of the Treasury, which it is stated will put an end to the irregularities pointed out by the Comptroller and Auditor General in connection with the continued employment of a temporary messenger who has not obtained a certificate of qualification from the Civil Service Commissioners. Q. 796.

Vote 42.—General Survey and Valuation of Ireland.

21. The sum of 5,292 *l.* 10 *s.* was paid over by the Treasurers of the several counties and cities to the Supply Account of Her Majesty's Paymaster General, under Act 37 & 38 Vict. c. 70, but only 2,437 *l.* 10 *s.* was paid over to the Exchequer. It was stated to your Committee that the sum not so paid was received in March, but under the ordinary regulations of the Department, it was not transferred to the Pay Office Account until April. Arrangements have been made by which the sums received will for the future be paid over within the financial year.

CLASS III.

Vote 3.—Court of Chancery, England.

22. The Chancery Paymaster has requested that any demand which the Bank of England may have to make for the services of clerks employed at the Chancery Pay Office, may be made in the financial year, so that the payment may not be postponed as in the present instance to a subsequent year. Q. 135—136.

Vote 6.—County Courts.

23. The Registrar of the County Court at Whitchurch did not attend the meeting of your Committee to which it was thought necessary to summon him, owing to ill health; but it was stated by the Accounting Officer for the Vote, that his accounts had been audited and were entirely satisfactory. Q. 137—138. Q. 776—780.

24. A deficit of 12,818 *l.* 9 *s.* 8 *d.* has been voted for this service.

Vote 7.—Courts of Probate and Divorce.

25. The clerk whose employment in the principal registry at Westminster, without a Civil Service certificate, is adverted to by the Comptroller and Auditor General, has obtained his certificate. Q. 143.

Vote 8.—Admiralty Court Registry.

26. A deficit of 157 *l.* 19 *s.* 9 *d.* has been voted for this service.

Vote 9.—Land Registry Office.

27. A deficit of 22 *l.* 0 *s.* 2 *d.* has been voted for this service.

Vote 10.—Police Courts, London and Sheerness.

Q. 144—153. 28. The fees, amounting to the sum of 374 *l.* 13 *s.* 10 *d.*, were paid to the Chief Clerk of the Greenwich Police Court as remuneration for services rendered in connection with inquiries under the Merchant Shipping Act, and were charged according to a fixed scale sanctioned by the Treasury.

Vote 11.—Metropolitan Police.

Q. 164—170. 29. A larger sum than necessary was voted for this service in consequence of the Estimate, after its alteration by the Treasury, not having been communicated to the Home Office previous to its being presented to Parliament.

Vote 13.—Convict Establishments in England and the Colonies.

30. The Comptroller and Auditor General calls attention to the circumstance that a net sum, after deducting fines, is taken in the Estimate for Salaries and Wages of Officers of Prisons, and that provision is made under the Sub-head Q. 175—194. "Fine Fund" for an amount corresponding with the deduction so made. It is stated that the Fine Fund is appropriated generally for compassionate purposes, in a manner similar to that to which the fines for drunkenness in the army are applied.

31. Your Committee recommend that the Estimate for this service should be prepared in the same form as in the Army Estimates; namely, that the gross sum should be taken for "Salaries and Wages of Officers," that a sum should be taken for the purposes to which the "Fine Fund" is appropriated, not exceeding the balance in hand on that Fund, and that an equal amount should be deducted from the Estimate for the sum to be transferred from the "Fine Fund."

32. For the reasons stated in the Report of the Comptroller and Auditor General, the deficit which has been voted was 3,023 *l.* 0 *s.* 4 *d.*, and not 3,817 *l.* 7 *s.* 4 *d.*, as shown in the Account.

Vote 22.—Law Charges and Criminal Prosecutions, Ireland.

33. A deficit of 6,428 *l.* 16 *s.* 2 *d.* has been voted for this service.

Vote 24.—Common Law Courts, Ireland.

34. A deficit of 497 *l.* 3 *s.* 11 *d.* has been voted for this service.

Vote 25.—Court of Bankruptcy, Ireland.

35. A deficit of 104 *l.* 10 *s.* 5 *d.* has been voted for this service.

Vote 27.—Court of Probate, Ireland.

36. For the reasons stated in the Report of the Comptroller and Auditor General, the surplus to be surrendered will be 373 *l.* 15 *s.* 8 *d.*, instead of 298 *l.* 15 *s.* 8 *d.*, as stated in the Account.

Vote 32.—Constabulary of Ireland.

Q. 216—218. 37. It has been decided by the Treasury that the charge for plain clothes furnished to constables detached on duties connected with the "Contagious Diseases Act, 1866," should be defrayed hereafter out of the Votes for the Army, in accordance with the views expressed by the Comptroller and Auditor General.

CLASS IV.

Vote 1.—Public Education, England and Wales.

38. The Comptroller and Auditor General states that he has been obliged to certify to the correctness of the Account of the Education Votes with more reserve than he could have desired, owing to the delay which has occurred in the settlement of the question as to the best mode of subjecting these Accounts to a more detailed examination than has hitherto been practicable. It appears that, owing to their voluminous character, it would not be possible to transmit to the Comptroller and Auditor General certain documents required by him in support of the expenditure without considerable cost and inconvenience to the Education Department. Your Committee have, however, learnt with satisfaction that a proposal made by the Comptroller and Auditor General to meet this difficulty by the local examination of the Accounts, has been accepted by the Treasury; and are of opinion that it is very desirable that arrangements should be made for such local examination without further delay. Q. 231—236.

39. In accordance with the recommendation of the Committee of Public Accounts in their First Report of 1876, the Treasury has issued a Minute requiring that the sanction of the Treasury should be obtained, if possible, before any grant is paid to an uninspected school, and, if not possible, as soon after as practicable. This direction was given subsequently to the payments contained in the present Account, but your Committee were informed that the sanction of the Treasury had been given to all such payments. Q. 230.

40. The sum of 1 *l.* 1 *s.*, referred to in the Report of the Comptroller and Auditor General, has been refunded. The surplus to be surrendered will therefore amount to 15,954 *l.* 4 *s.* 1 *d.* Q. 229.

Vote 2.—Science and Art Department for the United Kingdom.

41. The Comptroller and Auditor General calls attention in his Report to certain extra payments made both to officers of the Science and Art Department and to other salaried or superannuated officers of the Crown, to which no reference is made in the Appropriation Account or in the Estimates. Two of these payments are stated to have been of a casual nature, and confined to the amount of expenses actually incurred. The Treasury Minute of the 15th September 1876, which correctly expresses the opinion of your Committee on this point, does not require a note to be appended in such cases. The observations made under Vote 1, Class II., applies to another portion of these payments, and your Committee would add, that it would seem that the object of showing the whole of the official emoluments received by any salaried or superannuated officer of the Crown would be best attained by appending the note to the Estimates or Appropriation Account of the Vote under which the salary or superannuation allowance is charged. When such additional remuneration is paid, the necessary information should be sent to the head of the Department paying the salary or superannuation allowance. Q. 238. Q. 239—249.

42. Your Committee agree with the Comptroller and Auditor General that in the case of a service which, like the Exhibition of Science Apparatus at South Kensington, has not been provided for by a Vote, the expenditure should be shown under a new and separate Sub-Head. Q. 250—257.

Vote 3.—British Museum.

43. Section 3.—It was explained to your Committee that the observations of the Comptroller and Auditor General were caused by an oversight on the part of the Audit Office, and that the whole of the sum of 1,705 *l.*, *i.e.*,—the amount of the Supplementary Estimate,—was expended on the purchase of prints and drawings at the Galichon sale. Q. 259—261.

Vote 10.—Universities, &c. in Scotland.

44. A deficit of 103 *l.* 10 *s.* 5 *d.* has been voted for this service.

Vote 12.—Public Education, Ireland,

Q. 262-264. 45. Your Committee concur in the opinion expressed by the Comptroller and Auditor General, that the Accounting Officer would have acted more correctly if he had stated the Grant in the Appropriation Account, under the several Sub-heads as they appear in the Estimates.

Vote 16.—The Queen's University in Ireland.

Q. 510. 46. Authority for applying the savings on certain Sub-Heads, to the excess of expenditure on the other Sub-Heads of the Grant, has now been applied for by the Accounting Officer and has been given by the Treasury.

CLASS V.

Vote 3.—Grants in Aid of Colonies.

47. A deficit of 24 *l.* 3 *s.* 8 *d.* has been voted for this service.

Vote 6.—Tonnage Bounties, &c.

48. A deficit of 1,076 *l.* 1 *s.* 10 *d.* has been voted for this service.

CLASS VI.

Q. 361-363. ### Vote 2.—Merchant Seamen's Fund, Pensions, &c.

49. The opinion of the Law Officers has been received, on the question referred to them on the recommendation of the Committee of Public Accounts in their first Report of last year, and in pursuance of the opinion so obtained, the contributions referred to have been returned to the seamen.

CLASS VII.

Vote 5.—Paris International Maritime Exhibition.

50. The Comptroller and Auditor General complains of the delay which has occurred in the sending in of this Account, and of the unsatisfactory nature of the documents produced in support of certain payments included in it. It was
Q. 374-76. stated to your Committee that the Account was only rendered to the Treasury at the late period complained of by the Comptroller and Auditor General; and
Q. 782-795. that, owing to this inexcusable delay, the Treasury was obliged to send in the Account as it stood, although it included payments insufficiently supported, and others entirely unvouched. When the expenditure of public money has to be entrusted to agents who are not Government officials accustomed to the system of accounting now in force throughout the Civil Service, there must be a greater difficulty in securing the correctness of the accounts and vouchers. It is important, therefore, that a case like the present one should not be overlooked. Your Committee accordingly consider that the payments amounting to 135 *l.*, which are entirely unsupported by vouchers, should not be allowed; the surplus to be surrendered will consequently be 162 *l.* 3 *s.* 8 *d.*, instead of 27 *l.* 3 *s.* 8 *d.*, as shown by the Account.

EXTRA RECEIPTS.

Q. 2. 213. 349, 350. 51. Your Committee have asked for, and have received, explanations in certain cases in which there has been a material difference between the estimated amount of Extra Receipts and the amount paid over to the Exchequer. Your Committee consider it desirable that the explanation of the causes of any such variation, which must from the nature of these receipts occasionally occur, should be provided in the Account.

DEFICITS.

52. Your Committee cannot conclude their Report on these Accounts without again expressing their satisfaction with the general working of the system established by the Exchequer and Audit Act. They consider, however, that it is of great importance, that the attention of Parliament should be specially directed

directed to all cases in which an excess of expenditure has been incurred beyond that sanctioned by Parliament. They therefore think it very desirable that the excesses should be reported on by your Committee before they are voted in Committee of Supply, in order that attention may be called to any excess involving a question of principle, and that such excess may, if desirable, be put by itself in Committee of Supply.

REVENUE DEPARTMENTS.

Vote 1.—Customs.

53. The question which has been under discussion for some years, as to the date of recording payments made by one Department of the State for another Department, has been decided in a manner satisfactory to the Comptroller and Auditor General, in whose opinion your Committee concur. A circular has been issued by the Treasury to the several Departments requiring uniformity in the Public Accounts on this point. Q. 382.

54. There is a further and more important question still pending relating to duties performed by one Department on behalf of another; namely, as to the Vote upon which the cost should be charged. The Comptroller and Auditor General calls attention in his Report to the great variation in practice on this point, and to the extent to which the Estimates fail to represent the actual cost of the services for which they are framed. It was stated to your Committee, that the Treasury had not considered it advisable to deal with isolated cases of this nature; but that it was hoped that a scheme which would be laid before your Committee for dealing with this subject, and with that of extra Receipts, would prove to be a first step towards obtaining the uniformity which is so much to be desired. Q. 386-390.

Vote 2.—Inland Revenue.

55. The sanction of the Treasury has been given to the employment of the clerks referred to in the Report of the Comptroller and Auditor General, and the requisite notification has been published in the "London Gazette." Q. 272.

56. It is admitted by the Board of Inland Revenue that the messenger employed in the office of the Collector, at Glasgow, should have obtained a certificate of qualification from the Civil Service Commissioners, and directions have been given for his immediate examination. Under these circumstances, your Committee consider that the amount paid to the messenger in question may be admitted against the Vote. A deficit of 5,324 *l.* 13 *s.* has been voted for this service. Q. 273.

Vote 3.—Post Office.

57. The steps required by the "Superannuation, Post Office and War Office, Act 1876 (39 & 40 Vic. c. 68)," to give validity to various appointments which had been irregularly made in the Post Office and Telegraph services, have been duly taken by the Postmaster General and the Treasury; and this question, which has been for so many years under the consideration of your Committee, has been at last concluded. Q. 391—393. Q. 522.

58. Your Committee regret to learn that no further progress has been made with the scheme of the Comptroller and Auditor General, mentioned in their Second Report of last year, as under the consideration of the Treasury, in conjunction with the Post Office, for a test examination as to Treasury authority, of the Accounts of the London District and Provincial Postmasters. Q. 394—399.

59. The same remark applies to the question of the mode of remunerating the Sub-Postmasters and Receivers, which the Treasury last year proposed, in consequence of the observations of the Comptroller and Auditor General, to consider with the Postmaster General. Your Committee are however informed that early steps will be taken by the Treasury with respect to both these questions. Q. 400—402.

60. The Comptroller and Auditor General calls attention in his Report to certain cases in which persons appointed to situations in one branch of the Post Office have been promoted or transferred to situations in other branches of Q. 403—420.

the Department without obtaining fresh Civil Service certificates, and in which the Civil Service Commissioners have decided that under the terms of the various Orders in Council bearing upon the subject, fresh certificates of qualification were necessary.

Q. 403--420. 61. From the letter of the Postmaster General to the Treasury, appended to the Report of the Comptroller and Auditor General, it appears that the above-mentioned transfers were made by the Postmaster General, under the impression that they were within his powers; and that he considers that the same class of officers are required for all the London appointments included in the list of transfers which had been pronounced invalid. The Civil Service Commissioners also state that, in their opinion, no fresh certificate is required, when the transfer is made to a situation within the same Department belonging to the same classification. The difference of opinion that has arisen shows the necessity of defining the several classifications of the various branches of the Post Office, and the particular situations falling within each classification, as recommended by the Comptroller and Auditor General. Your Committee have therefore learned with satisfaction that the Postmaster General has been directed by the Treasury to prepare such a classification. Under these circumstances your Committee are of opinion that the salaries reported on by the Comptroller and Auditor General as not properly chargeable against the Vote, may be allowed.

Q. 513. Appendix.

Q. 421--425. Q. 518. 62. A further schedule of rates and allowances was submitted to the Treasury by the Postmaster General on the 12th January, and has been sanctioned by the Treasury for a limited period, namely, until the 31st December next. In the meanwhile, steps will be taken to arrive at a definite agreement as to the best course to be pursued for the future, with regard to all such payments for extra duty and special work.

Q. 426—433. 63. Additional precautions have been lately taken by the Postmaster General to guard against losses by fraud in the Post Office Savings Bank Department, and it is stated that nothing further can be done without great additional expense. The amount of the losses incurred owing to this cause, in the fifteen years since the establishments of the Post Office Savings Banks, has been 4,183*l.*, during which period the transactions have exceeded 117,000,000*l.*

Q. 434—437. 64. Steps have been taken by the Post Office to accelerate the bringing to account of void Money Orders.

Q. 438--446. 65. The excess of expenditure over receipts in connection with the granting of Government Annuities and Insurances (Act 27 & 28 Vict. c. 43) has been caused by the issue, under the provisions of the Act 35 & 36 Vict. c. 67, of a large number of annuities of a small amount to officers and seamen, in commutation of their pensions formerly payable out of the Mercantile Marine Fund. The best mode of meeting the deficiency thus caused is now under the consideration of the Treasury.

66. The surplus to be surrendered on the Vote, after deducting the sum of 10*s.* charged in error, will be 17,998 *l.* 11 *s.* -½ *d.*

Vote 4.—Post Office Packet Service.

Q. 447—448. 67. The Comptroller and Auditor General points out that the sums received from the Indian Government in respect of the Packet Service, and included in the Extra Receipts, are advances on account; and that the Account showing the actual indebtedness of the Indian Government for the years 1874-75 and 1875-76, had not been examined. The delay in preparing the Account for the year 1874-75 appears to have been caused by certain disputed questions having to be referred to arbitration. The Account has now been furnished to the Comptroller and Auditor General, and shows that there is a balance due by the Indian Government of 6,170 *l.* It is stated that the amount due for the year 1875-76 cannot be ascertained for some months.

Q. 449. 68. The question as to the sum due by the Royal Mail Steam Packet Company, referred to in the Report of the Comptroller and Auditor General, is still under investigation, with the view of submitting a complete case to arbitration.

Vote 5.—Post Office Telegraph Service.

69. Section 3.—The Comptroller and Auditor General again calls attention to the continued delay in the settlement of the question of the "Unestablished Staff," which was remarked upon in the Second Report of your Committee last year. The proposals of the Postmaster General, with respect to the strength, classification, and conditions of employment of the whole body, have been now submitted to the Treasury. It has been decided by the Treasury not to deal with the case of the Linemen appointed in excess of the number sanctioned by the Treasury in July 1872, except as part of a general settlement according to the principles laid down in their letter of 26th March 1877, which is printed in the Appendix. The Linemen appointed in excess of the authorised establishment will consequently not be placed under the Superannuation Act of 1876 ; but it is stated that there will be no serious difficulty in providing that such of them as may ultimately have occasion for Civil Service certificates should receive such certificates. Q. 450—460. Appendix.

70. The question as to the apportionment of Expenditure for Post Office Buildings between the Postal and Telegraph Services, which has been referred to by the Committee of Public Accounts in their Reports for the years 1875 and 1876, was decided upon in the month of April 1876 ; but owing to a misapprehension between the Post Office and the Treasury, that decision was not communicated to the Board of Works, by whose officers the apportionment is to be made on the basis of the cubical space occupied by the respective Services. The amount charged in the present Account for the purchase of sites and buildings, represents one-third of the total expenditure for those purposes ; the remaining two-thirds having been charged against the Post Office Vote. Your Committee were, however, informed, that there would be no material difficulty in readjusting the account which is presented to Parliament of the profit and loss upon the Telegraphs, in accordance with the decision which has now been arrived at. Q 467—484.

71. The Post Office hopes to be able to meet the views of the Comptroller and Auditor General with respect to the classification of the payments for salaries and wages referred to in Section 9 of his Report. Q. 461—463.

72. The schedule of payments to Railway Companies for extensions, &c., made between 1st April 1874 and 31st March 1876, has been furnished to the Treasury, and sanction has been given either permanently or temporarily to the various payments included in it. Q. 797.

73. The sum over-surrendered in respect of the Vote for the year 1874–75 has now been adjusted in a manner satisfactory to the Comptroller and Auditor General. Q. 485—486.

74. Deducting the sum of 2 *l.* 18 *s.* (the amount of certain errors admitted by the accountant), the surplus to be surrendered will be 66,190 *l.* 7 *s.* 2¾ *d.*

TELEGRAPH CAPITAL ACCOUNT.

75. The agreements with the Greenock and Ayrshire, and Leven and East of Fife Railway Companies are still under the consideration of the Post Office. The Committee of Public Accounts called attention in their Second Report of last Session to the loss resulting to the public from the protracted delay in concluding such agreements. It is therefore to be hoped that the steps which it is stated that the Post Office is taking to push these matters forward will prove successful. Q. 526—529.

76. Sections 9 & 10.—The Committee of Public Accounts, in their Second Report of 1876, recommended that charges amounting to 2,236 *l.* 10 *s.* 3 *d.* should be disallowed. The proper course to be pursued with respect to these disallowances has been under the careful consideration of the Treasury, and their views are expressed in the Minute of the 13th March 1877. The sums disallowed were in the first place personally charged against the officer of the Post Office responsible for the expenditure, and it was proposed that steps should be taken to enforce the responsibility unless due cause were shown by the Postmaster General for Section 9 & 10. Appendix.

arresting proceedings. After communication with the Post Office, it was decided that the officer responsible for the expenditure was the late second Secretary, Mr. Scudamore. Inasmuch as the payments in question are stated not to have come under the personal cognizance of the then Postmaster General, and were of an amount not exceeding that of payments ordinarily made under the powers necessarily delegated to a subordinate, your Committee concur in this decision. They think, however, it is important that the responsibility of the Parliamentary chiefs for the general administration of their Departments should be fully maintained; and would, therefore, observe that, although in their opinion the pecuniary liability attaches in the first place to the permanent accounting officer, the Parliamentary chief is by no means free from responsibility for all expenditure which by its amount or character should attract his attention.

77. For the reasons stated in their Minute, the Treasury do not propose to enforce the personal liability of Mr. Scudamore. In order, however, to insure the submission of such serious irregularities to Parliament, it is proposed to ask the House of Commons to vote a sum which will enable the Treasury to adjust the Account.

78. Your Committee concur in the opinion of the Treasury, that whilst the irregularity was of a very serious nature, Mr. Scudamore is to be entirely acquitted of any charge of *mala fides*, and that the irregularity was due to a grave error of judgment on his part.

79. They therefore approve of the proposed course of procedure, laying down as it does the principle that disallowances recommended by the Committee of Public Accounts can only be removed by the action of Parliament.

Section 10. 80. The Comptroller and Auditor General, who entirely agrees in the general principles of the Treasury Minute, raises the question whether, as the disallowances were made not upon a Vote, but upon the Telegraph Capital Account, the object in contemplation might not be effected with perhaps even greater exactness of account, by a Resolution of the House of Commons authorising the expenditure in question to be charged against the Capital Account. In the Q. 530. opinion of the Treasury, however, with which your Committee agree, the principle that any sum recommended for disallowance by the Public Accounts Committee, must be actually repaid to the Vote or Fund from which the disallowed expenditure was originally defrayed, is best maintained by leaving the persons who are responsible for the expenditure chargeable therewith, until the disallowance is made good by a Vote of the House of Commons.

Q. 532—536. 81. Section 17.—It is proposed by the Post Office to charge the sum of 312 *l.* 0 *s.* 4 *d.* (which, as the Comptroller and Auditor General points out, has been overcharged under the head of "Undertakings," in respect of the Universal Private Telegraph Company) against "Extensions," in the Capital Account for 1876-77.

Q. 540. 82. Section 19.—Your Committee concur in the opinion expressed by the Comptroller and Auditor General in his Report on the Telegraph Capital Account for 1873-74, that there are good grounds for concluding that the intention of Parliament, though not so expressed, was that expenditure incurred on extensions prior to the 1st October 1873, but not paid for, should be defrayed out of the sum of 120,000 *l.* set apart for extensions, whether the actual payments took place before or after that specified date. They accordingly think that it would not be desirable to charge against the Vote Account the sum of 6,713 *l.* 12 *s.* 6 *d.* referred to in the Report of the Comptroller and Auditor General; the greater portion of which was paid to the Universal Private Telegraph Company for extensions, so long ago as March 1870, though it has not been charged against the Capital Account until the award upon the whole case was given, and its exact amount was settled.

83. The payments charged in this Account as interest on the purchase of Undertakings amount apparently to 4,602 *l.* 13 *s.* 2 *d.*, making, with the sum of 19,978 *l.* 6 *s.* 6 *d.* previously so charged, a total of 24,580 *l.* 19 *s.* 8 *d.* It was stated to your Committee that there are outstanding claims from Railway Q. 549—556. Companies amounting to a large sum, upon which interest may have to be paid.

paid. The question, therefore, as to whether this interest should be charged against the Capital Account, or against the Vote Account, is of some importance as regards the future, as well as a matter of strict account for the past. Inasmuch as the income derived from the purchased Undertakings has been treated as revenue, whilst this interest has been accumulating, your Committee consider that the payment is not one which should be properly charged against the Capital Account. Q. 540.

CIVIL CONTINGENCIES FUND ACCOUNT.

84. It is stated that a Bill is in preparation for dealing with the payment and recovery of the expenses connected with Weights and Measures in the Counties of Ireland, which are now advanced from this Fund to the Receiver of Constabulary, Ireland, and on account of which there is now an outstanding sum of 1,500 *l.* Q. 523.

CONSOLIDATED FUND ACCOUNT.

85. The Bill for the adjustment of the long outstanding Balances of Advances for Public Works, &c. in Ireland has been reintroduced by the Secretary of the Treasury. Your Committee consider it very desirable that this adjustment which has been recommended by the Comptroller and Auditor General in his four last Reports upon this Account should be made without further delay. Q. 509.

ARMY PURCHASE ACCOUNT.

ASHANTEE EXPEDITION (VOTE OF CREDIT) ACCOUNT.

TREASURY CHEST ACCOUNT.

WOODS AND FORESTS ACCOUNT.

GREENWICH HOSPITAL AND SCHOOL ACCOUNT.

86. No observation arises upon the above Accounts.

NAVY APPROPRIATION ACCOUNT.

87. Section 1.—The Comptroller and Auditor General points out that two sums of 518 *l.* 7 *s.* and 108 *l.* 12 *s.* 9 *d.*, for which no vouchers have been produced, have been allowed by the Admiralty as charges against Vote 2. For the reasons stated in the Report of the Comptroller and Auditor General, your Committee think that the charges may be admitted against the Vote. It was stated to your Committee that the condition on which the Treasury allowed the amount of 414 *l.* 3 *s.* 7 *d.* to be written off as irrecoverable, will be complied with by the Admiralty. Q. 279—282. Q. 285—291.

88. Section 2.—The decision as the fund to which is to be paid the sum of 10 *l.* 10 *s.*, received on account of the sale of hides and skins at the Island of Ascension, is deferred until Commodore Sir W. Hewett is able to investigate the conditions of the Ascension Island Fund Account. Q. 283—284.

89. Section 3.—Certain accounts, amounting in all to 4,767 *l.* 7 *s.* 11 *d.*, were received in office, but not examined or included in the Navy Account for 1875–76, owing to the late period at which the claims were sent in by the War Office. Although the amount is not large in comparison with the total expenditure, your Committee think it right to observe that the results of the delay in sending in such claims is to affect the Accounts of succeeding years; and that in the case of some at least of these claims there is no apparent necessity for such delay. Q. 299—305.

90. Section 6.—Your Committee regret to have again to observe upon a net deficit on the Grants for Naval Services. The deficit is considerably less than those which occurred in the years 1873–74 and 1874–75; but the explanation of rising prices, which was given as one of the causes of the deficit in the first of those years, no longer applies, as prices of materials have fallen largely. Q. 274—278.

91. The Accountant General of the Navy expresses a hope that, under the regulations defining the relations of the Financial Department of the Admiralty with the spending departments which were made by the First Lord of the Admiralty in January 1876, these casualties may to a great extent be avoided for the future. A Paper, giving an historical statement of the expected results of the Navy expenditure for the year 1875–76, was presented by the Accountant General, and is printed in the Appendix. It appears from this Paper that on 30th March 1876 a probable net surplus of 21,400 *l.* was anticipated, instead of a deficit of 41,300 *l.*, as previously expected, and that in consequence the postponement (previously ordered) of certain payments for iron, properly chargeable to the year 1875–76, amounting to 12,000 *l.*, was countermanded as unnecessary under the circumstances. Your Committee think it right to observe that, in their opinion, payments properly chargeable to a given year, should not be postponed even to avoid the evil of an excess upon the sum granted by Parliament. The irregularity, they consider, consists in incurring expenditure which has not been authorised by Parliament, and would be increased rather than diminished by not defraying it when it has been actually incurred.

Appendix.

Q. 292—298. 92. Section 7.—The Treasury has approved of the transfer of the Credit Balance of 4,672 *l.* 14 *s.* 10 *d.* to the Exchequer; and the sum will be paid over at once, as suggested by the Comptroller and Auditor General.

ARMY APPROPRIATION ACCOUNT.

Q. 807. 93. Section 2.—The statements of expenditure, not included in the Account, contain various Indian Accounts for two and even three quarters of the year 1875–76. As six months are allowed before the Account is closed, your Committee hope that it may be found possible for the future to diminish the amount of these outstanding Accounts.

Q. 557—570. 94. Section 4.—The Comptroller and Auditor General calls attention to the delay in recording a great part of the War Office expenditure in the books of the Department, and to the difficulty thus caused of properly conducting the Appropriation Examination by the Audit Office. It was stated to your Committee that the delay complained of applies only to payments which have been made by imprest; and that the accounts of many of these cannot be received for some months after the date of payment. This explanation does not, in the opinion of your Committee, render it clear that the expenditure of the War Office could not be so recorded as to prevent the necessity for crowding, as at present, a very large proportion of the Appropriation Examination into the last three months of the year. Although the date of record must, at all times, be some months after the date of issue in the case of expenditure at distant stations, there would seem no reason why, if the Accounts are rendered at regular intervals by the Sub-Accountants, the proportion of expenditure recorded should be much greater towards the close than at any other period of the year. Your Committee therefore hope that the efforts which the War Office has undertaken to continue, with the object of diminishing the delay complained of by the Comptroller and Auditor General, will prove successful.

Q. 571—578. 95. Section 5.—It appears that up to the present time there has been no external detailed examination of payments relating to Chelsea Hospital, either by the War Office or the Audit Office; but that the Audit of the War Office has been limited to seeing that the payments have not been incurred without the authority of the Commissioners for the Government of the Royal Hospital being duly signified to the Paymaster General; and that a receipt has been furnished for every item in the Paymaster General's Account. The Account will, for the future, under the Chelsea Hospital Act of 1876, be subjected to a detailed examination and audit by the Comptroller and Auditor General.

Q. 807 to 808. 96. Section 6.—It is stated that the delay in closing the India Contingent Account, which has ceased to be a current account since March 1874, is caused by that Account containing many items belonging to the Effective Account, which was referred to the Committee presided over by Mr. Bouverie in the years 1874 and 1875, and only rendered to the India Office on the 26th January last.

EXTENDED AUDIT OF THE ARMY ACCOUNTS.

97. The Treasury, by their Minute of the 20th March 1876, imposed upon the Comptroller and Auditor General the duty of an extended Audit by means of a test examination of the details of the Army Accounts. The staff for conducting this extended audit, which was proposed by the Comptroller and Auditor General, and sanctioned by the Treasury, involves an additional mean charge of less than 4,000 *l.* a year, which falls considerably below the sum named by him last year, when he roughly estimated the cost in reply to the inquiries of your Committee. The want of accommodation in the War Office for the examiners of the Comptroller and Auditor General, has rendered it extremely difficult to apply the test Audit to the present Account, a task which was only undertaken at the request of the Committee of Public Accounts last year. It has been necessary to conduct the new work at Somerset House, an arrangement manifestly of great inconvenience in the case of the examination of voluminous documents, and one which has necessarily much restricted the investigation. Your Committee are glad to learn that this inconvenience will probably be in a short time removed by accommodation being provided for the necessary staff in Winchester House. Q. 580—584. Q. 798.

98. The examination of the Account has also been rendered difficult by the absence of any collection of the various authorities that govern War Office expenditure in a codified form. Before beginning the examination, the Comptroller and Auditor General applied for such a statement, but the desired information has not been furnished to him up to the present day, owing to its not being in the possession of the War Office in the desired form. The consolidation of the various Royal warrants regulating the pay and allowances of the British army, has been under consideration for many years; but no substantial progress appears to have been made since the issue of the Royal Warrant of 1870 regulating the rates of pay of the Cavalry and Infantry of the Line. Q. 585–609. In the absence of other information, the Comptroller and Auditor General instructed the members of his staff to collect and classify the authorities that regulate the issue of pay and allowances, and considerable progress has been made in that work. Q. 610—614. The complete codification of authorities for expenditure would, however, no doubt be prepared with greater facility by the War Office; and as it could not but simplify work and economise labour in that office, its early completion is, in the opinion of your Committee, much to be desired. Your Committee were informed that if the necessary funds were provided for the purpose, the War Office would undertake the work. Q. 605.

99. Section 23.—The Comptroller and Auditor General states that to many of the numerous questions raised by his Department as the result of the examination, he had received satisfactory answers, but that on certain points a want of attention to the due authorisation of expenditure had been discovered. The questions thus raised, though relating to sums of comparatively small amount, are of importance as matters of principle; for your Committee regard the Audit of Authority as the essential part of the new system.

100. A large part of the Army expenditure, namely, the pay and allowances of the army, is made under Royal Warrant. It appears from the evidence of the Accountant General of the Army, that in his opinion "the Comptroller and Auditor General has nothing to do with the Royal Warrants," but that his duty is limited to seeing that the expenditure is authorised by Parliament or by the Treasury. Your Committee cannot concur in this view; by the Treasury minute of last year the Comptroller and Auditor General is expressly directed to accept the Queen's Warrants and Regulations as the governing authority, unless it appears that they are contrary to statute. Without examination of such warrants, it is not manifest how it would be possible for the Comptroller and Auditor General to ascertain whether or not any expenditure was properly authorised. Such examination would, of course, be limited to the purpose for which it was instituted, and it would be no part of the duty of the Comptroller and Auditor General to express any opinion upon the Royal Warrant. Your Committee consider that it is open to him, after examination, to state his opinion to Parliament on any points which he may think necessary, in his Report upon the Army Appropriation Account; and it is for the House of Commons to decide in doubtful cases whether the money has or has not been expended in accordance with the intentions of Parliament. Q. 652.

Section 27. 101. By the Treasury Minute of the 24th November 1870, it was laid down that all proposed rates of pay and allowances must be submitted to the Treasury for approval before they are included in a Warrant which is to receive the Royal Sign Manual.

Q. 615—624. 102. The War Office appear to consider that when such Treasury consent has been given, the new rates of pay and allowances may at once come into force, without waiting for the issue of a new Royal Warrant, which is regarded
Section 24—27. as a legal record and publication to the army. Acting apparently upon this view, the War Office have made, in certain cases, payments at variance with Royal Warrants, but with the intention of ultimately issuing a new Royal Warrant, which might, if necessary, be ante-dated. Your Committee, regarding an Order under the Royal Sign Manual as a higher authority than the Order of a Secretary of State, or of the Treasury, consider that any payment at variance with a Royal Warrant should only be made under circumstances of emergency. Although it may from time to time be necessary to provide for temporary and unforeseen requirements, it is desirable to correct any such unavoidable irregularity with as little delay as possible.

103. Section 25.—The officer at the head of the Intelligence Department, whose salary had been fixed by Royal Warrant at 1,200 *l.* a year, was originally classed as a Deputy Adjutant General, but was subsequently transferred to the
Q. 640—641. branch of the Quartermaster General. The omission pointed out by the Comptroller and Auditor General has been corrected by the issue of a Royal Warrant.

Q. 645. 104. Section 26.—Treasury sanction has been obtained for a temporary arrangement with respect to the pay of the Superintendent of the Riding Establishment at the Cavalry Depôt.

Q. 670—673. 105. Sections 28 & 29.—The allowances and payments referred to as not having been approved by the Treasury before they were submitted for the Royal Sign Manual, appear to have been accidentally omitted from the Royal Warrant of 1870, as they had existed for a long time previously.

Q. 680. 106. Sections 30 & 31.—Where allowances, such as Good Conduct Pay, are paid to whole classes of non-commissioned officers and privates, there would seem to be no sufficient advantage to be gained by noting the fact in
Q. 681—683. each case. In applying the Treasury Minute of the 10th September 1876, which was communicated to the War Office, to such cases as those referred to by the Comptroller and Auditor General, the object should be to show, as far as possible, the official emoluments received, without unduly crowding the Estimates with notes.

Q. 694—705. 107. Sections 32 & 33.—The arrangement with respect to the pay of a substitute who should act for the Lieutenant Governor of the Tower of London, in the absence of the Major, is stated to have been of a very temporary character, and to have now ceased.

Q. 707—714. 108. It appears that the Distinguished Service Rewards were founded on certain sinecure garrison appointments, which had either lapsed, or were expected to do so; and that the sum of 21,500*l.* specified for the purpose, was subject to the expense of these garrisons, until they had so lapsed. The appointments of the garrison of the Tower of London have not fallen in, and they still form a charge upon the Vote.

Q. 730. 109. Section 35.—The Treasury was not aware that by the decision contained in their letter of the 6th August 1867, respecting the monthly payment of salaries, the necessity for producing stamped receipts in support of War Office Accounts was done away with. The case having been brought before the Treasury by the Comptroller and Auditor General, they have requested the War Office to give the necessary instructions, and an order has now been given by the War Office, that its officers should for the future give the proper receipt stamp.

110. Section 41.—A reply, which is printed in the Appendix, has been sent by the War Office to the letter of the Comptroller and Auditor General, asking for detailed estimates and Treasury approval for a portion of the works included in the Works Vote.

111. Section

111. Section 42.—The Comptroller and Auditor General correctly points out the difference between savings on the Works Vote, and those accruing on the other Army Votes; namely, that they are for the most part mere postponements of expenditure, and do not arise from any economy or reduction of the expenditure. Your Committee are of opinion that this important distinction should be borne in mind, whenever Treasury sanction is asked to defray temporarily excesses upon other Votes out of savings on the Works Vote. Q. 747—752.

112. Section 43.—The causes of the delay in finishing the new Barracks at Glasgow, were satisfactorily explained by the Deputy Director of Works. Q. 743—746.

113. Sections 44 to 46.—The Comptroller and Auditor General points out that he has little or no means of judging whether expenditure is correctly charged to the fund for the Military Forces Localization Act, which is raised by loan, or whether it should not more properly fall upon the War Office Vote. The difficulty arises from the nature of the case, and no means were suggested to your Committee which would enable the Comptroller and Auditor General to exercise a more efficient check. Q. 753—761.

114. Sections 48 to 51.—It is stated that it is proposed to appoint an inter-departmental Committee, to consider in what mode effect should be given to Section 18 of the Regimental Debts Acts of 1863. The accumulation of unclaimed residues of soldiers' effects amounts to 37,283 *l.*, and is included in the general balance sheet. Q. 805.

115. Section 52.—Since the adoption of the independent Audit of Authority, there would appear to be no more reason for requiring the declaration referred to by the Comptroller and Auditor General in the case of the Army Appropriation Account than in those of the Civil Service Accounts.

116. Section 53.—On the return of one of the permanent clerks who had been temporarily serving in another department of the Government, to the War Office, it was lost sight of that the next vacancy ought not to be filled up. Four of the redundant junior officers were restored to the establishment, before attention was called to the fact that there was a vacancy to be absorbed. A vacancy which has occurred since the mistake was pointed out by the Comptroller and Auditor General has not been filled up. Q. 769.

CHARGES DEFRAYED BY THE WAR OFFICE ON BEHALF OF INDIA.

117. This Account, though prepared by the Treasury, is entirely based on information derived from the War Office; and this information could not be provided until after the War Office Books had been balanced at the close of last year. The delay therefore referred to by the Comptroller and Auditor General, in the delivery of the Account, appears to have been unavoidable. Section 3.

118. The vouchers relating to the Account are exceedingly numerous, and have to be examined in detail by the Auditor to the India Office, before the payments are admitted as chargeable against India. Your Committee therefore entirely concur in the suggestion of the Comptroller and Auditor General, that it would be desirable to dispense in this case with the detailed examination by the Audit Office. Section 5.

119. Much evidence has been received by your Committee, both last year and during the present Session, as to the circumstances under which it was found necessary to apply to Parliament for a grant of 500,000 *l.* in part repayment of charges incurred by the War Office on behalf of India, and advanced out of Army Funds during the last six financial years; your Committee have been much assisted in their investigation by the Report of the Comptroller and Auditor General.

120. A considerable proportion of the charges for effective and non-effective services in respect to British regiments serving in India, which have always been defrayed by India, has to be paid in England. Up to the year 1861, the War Office used to pay these latter charges as agent for India; it received Q. 832. Q. 839.

the necessary monies from India, and it paid them without submitting them to Parliament, and adjusted them out of moneys repaid by India. In 1862, it was thought desirable to bring these charges under the notice of Parliament, and to obtain the sanction of Parliament to the expenditure. Their amount was therefore inserted in the Army Estimates, and the sums received from India in repayment were paid into the Exchequer by the Treasury.

Q. 842.

121. An important change was made in the Army Estimates for 1870-71, by which the charges detailed in this Account were excluded from the Army Votes, it having been intended that they should be paid directly by the Indian Government without any intervention on the part of the War Office. This intention was stated, so far as a portion of these charges is concerned, by the Secretary of War, in his speech proposing the Army Estimates, and was notified in the Estimates for 1870-71, but no formal or direct communication was made on the subject to the Treasury. The arrangement was found to be impracticable, and the War Office continued the former practice of making the payments, but did so as an advance to the Indian Government, and not as previously on account of a voted Service. Of this change in the financial arrangements, no communication was made to Parliament, nor, it is stated, to the Treasury. The arrangement continued up to the close of the year 1875-76, and in the meanwhile the Indian Government continued to make to the Treasury as previously payments in respect of all home charges paid by the War Department, and the Treasury continued to pay these sums into the Exchequer as Exchequer receipts.

Q. 845.

Q. 846—857.

Q. 859—861.

Q. 862, 913, 914.

Q. 887.

122. The sums so paid by the Indian Government were, however, all payments on account, as there has been no final adjustment of Accounts since 1870-71, and no information was either asked for or received by the Treasury as to the precise services for which the payments were made.

See Public Accounts Evidence, 1876, Q. 801-802 and Q. 812—819.

123. The sums advanced by the War Office, as explained above, were provided out of the Army Balances, and were placed to the debit of the Indian Government in the General Balance Sheet of the War Office. It appears to have been believed by the Accountant General of the Army, that the Treasury was placing to a suspense account the sums received from the Indian Government in respect of these non-voted services, in order that the advances might be repaid whenever a final adjustment of account should take place. Your Committee think it right to call attention to the dangerous laxity given to the sound and economical principle that all properly authorised payments should be made from one Cash Balance, when that principle is held to sanction, as it was by the Accountant General of the Army, payments from that Balance, of sums not authorised by Parliament, and which, as in the present instance, may not be recovered for many years.

Q. 863—869.

Q. 912, 913.

124. The causes of this serious irregularity, by which a liability exceeding 500,000*l.* has accrued without the knowledge of Parliament, are, in the opinion of your Committee, as follows: 1st, the absence of direct communication on the part of the War Office to the Treasury when important changes were made in the financial arrangements; and, 2ndly, the prolonged delay in the final adjustment of Accounts between the War Office and the Indian Government. Although the transaction is one which cannot but cast serious discredit on the system of accounting under which it has occurred, there is no doubt, in the opinion of your Committee, as to the *bona fides* of those responsible for it.

Q. 845—862.

Q. 869—873.

125. Your Committee entirely concur in the view expressed by the Treasury in their letter of the 10th April 1877, that all important changes in financial administration should be brought directly to the knowledge of the Treasury, before adoption, for their sanction; and that no indirect notice in any degree relieves the Department so making it, from entire responsibility.

Section 7.

126. The delay in the adjustment of accounts between the War Office and the Indian Government, has been caused by the attempt to obtain complete accuracy in the mode of apportionment of the charges. Your Committee have heard, with great regret, that there are still questions of principle pending as to the Accounts for the years 1870-71, 1871-72, and 1872-73; and also that notice has been given by the India Office to terminate the arrangement effected by the Committee presided over by Mr. Bouverie, which has been accepted in principle for the three following years by the two Departments.

Q. 891.

Q. 892—918.

127. It

127. It was owing to this prolonged delay in the final adjustment of Accounts, that the War Office made no claims for the repayment of the sums which it had advanced, until November 1875, when it applied to the Treasury for a sum of 300,000*l.* on account. To this delay must also be attributed the fact, that the Treasury had no knowledge that a part of the payments received by it from the Indian Government was made in respect of non-voted services. The evils which have thus arisen, are but the natural results of the state of arrear into which these accounts have fallen; and your Committee cannot too strongly express their opinion that it is absolutely necessary that an early agreement should be come to, both as to the accounts for past years, and also as to the basis of charge for the future. Q. 863. 881—883.

128. The suggestion referred to by the Comptroller and Auditor General for facilitating the final adjustment of each year's Account by the establishment of a system of concurrent audit of the direct charges, as recorded in the books of the War Office on behalf of India, appears to be well worthy of consideration, as soon as the basis of charge is settled. Section 11. Q. 925—930.

129. Your Committee have pointed out what they regard as the main causes of the errors which have been made in these transactions; but they would add that, had the General Balance-sheet of the War Office been examined, and the balances been tested by an external authority, these errors must, in all probability, have been much sooner discovered. It does not appear to be held to be the duty either of the Treasury or of the Comptroller and Auditor General so to examine the Balance-sheet and test the balances; but the system of the Audit of Public Accounts cannot be considered complete until provision is made for that final and important step. Q. 874—877.

130. In concluding their observations upon this question, your Committee think it right to state their opinion, that when an important arrangement with respect to the Expenditure and Receipt of public monies, like that made in the year 1862-63, referred to above, is subsequently modified, as was done when the War Office paid sums on behalf of India, which had not been voted by Parliament, such modification ought to be explicitly made known to Parliament. Q. 845--849. 862.

131. Sections 8 and 9.—The delay pointed out by the Comptroller and Auditor General in the sending in of the various Accounts to the India Office after the Reports of the two Committees referred to, was due to the length of time taken by the Treasury before sanctioning the Report of the 12th April 1872, and by the India Office, before accepting the decision arrived at in the Report of June 1875. Q. 888--889.

16 *May* 1877.

PROCEEDINGS OF THE COMMITTEE.

Wednesday, 28*th February* 1877.

MEMBERS PRESENT:

Mr. William Henry Smith.	Sir John Lubbock.
Lord Frederick Cavendish.	Mr. Seely.
Sir Walter Barttelot.	Mr. Cubitt.

Lord FREDERICK CAVENDISH was called to the Chair.

The Committee deliberated.

[Adjourned till Wednesday next, at Two o'clock.

Wednesday, 7*th March* 1877.

MEMBERS PRESENT:

Lord FREDERICK CAVENDISH in the Chair.

Mr. William Henry Smith.	Lord Eslington.
Mr. Thomson Hankey.	Mr. Seely.
Sir Walter Barttelot.	Mr. Goldney.
Sir Charles Mills.	

The Committee considered the Civil Service Appropriation Accounts, Classes I—V., the Inland Revenue Account, the Navy Appropriation Account, and the Greenwich Hospital and School Account.

Votes 13 and 20 of Class I., Vote 16 of Class IV., and Vote 6 of Class V. were postponed.

Classes VI. and VII. of the Civil Services Appropriation Accounts, and the other Accounts of the Revenue Departments, were postponed.

Mr. *Reginald E. Welby*, Mr. *Charles L. Ryan*, Mr. *John Mason*, Mr. *Robert G. C. Hamilton*, Mr. *R. J. Callander*, Mr. *Carey Knyvett*, Mr. *Alfred R. Pennefather*, Mr. *Francis B. Alston*, Mr. *Henry Nicol*, Mr. *George L. Ryder*, Lieutenant Colonel *E. Du Cane*, Sir *Francis Sandford*, Mr. *Norman MacLeod*, Mr. *William Cockell*, Mr. *Henry William R. Walker*, and Mr. *George M. Edwards*, were examined.

[Adjourned till Wednesday next, at Two o'clock,

Wednesday, 14*th March* 1877.

MEMBERS PRESENT:

Lord FREDERICK CAVENDISH in the Chair.

Mr. William Henry Smith.	Mr. Cubitt.
Mr. Thomson Hankey.	Lord Eslington.
Sir John Lubbock.	Mr. Seely.
Sir Walter Barttelot.	Mr. O'Reilly.
Sir Charles Mills.	

The postponed Votes 13 and 20 of Class I. of the Civil Services Appropriation Accounts were considered.

The

The following Appropriation Accounts were also considered:—Ashantee (Vote of Credit). Civil Services, Classes VI. and VII. Revenue Departments. Post Office, Packet, and Telegraph Services. Civil Contingencies Fund. Consolidated Fund. Army Purchase Commission. Woods and Forests.

Mr. *Reginald E. Welby*, Mr. *C. L. Ryan*, Mr. *A. B. Mitford*, Mr. *R. G. C. Hamilton*, Mr. *John J. Weir*, Mr. *Stevenson A. Blackwood*, and Mr. *G. Chetwynd* were examined.

[Adjourned till Wednesday the 18th of April, at Two o'clock.

Wednesday, 18th April 1877.

MEMBERS PRESENT:

Lord FREDERICK CAVENDISH in the Chair.

Sir John Lubbock.	Lord Eslington.
Mr. William Henry Smith.	Mr. O'Reilly.
Mr. Cubitt.	Mr. Seely.

The postponed Votes of the Civil Service Appropriation Accounts, and Post Office Telegraph Service, were considered.

The Post Office Telegraph Capital Account, and the Army Appropriation Account, were also considered.

Mr. *Reginald E. Welby*, Mr. *C. L. Ryan*, Mr. *Stevenson A. Blackwood*, Mr. *John Milton*, and Colonel *C. B. Ewart*, were examined.

[Adjourned till Wednesday the 2nd of May, at Two o'clock.

Wednesday, 2nd May 1877.

MEMBERS PRESENT:

Lord FREDERICK CAVENDISH in the Chair.

Sir Charles Mills.	Lord Eslington.
Sir John Lubbock.	Mr. Seely.
Mr. William Henry Smith.	

The following Appropriation Accounts were further considered:—Civil Service Appropriation Accounts, Class III., Vote 6; Class VII., Vote 5; and Class II., Vote 40. The Post Office Telegraph Capital Account; Army Appropriation Account.

The War Office (Charges defrayed on account of India) Appropriation Account was also considered.

Mr. *Henry Nicol*, Mr. *Reginald E. Welby*, Mr. *C. L. Ryan*, Mr. *Edward Johnson*, Mr. *John Milton*, Mr. *William Minifie*, and Mr. *Walter Carew Cocks*, were examined.

[Adjourned till Wednesday the 16th May, at Two o'clock.

Wednesday, 16*th May* 1877.

MEMBERS PRESENT:

Lord FREDERICK CAVENDISH in the Chair.

Mr. William Henry Smith.	Mr. Seely.
Sir John Lubbock.	Sir Charles Mills.
Sir Walter Barttelot.	Mr. Cubitt.
Lord Eslington.	

DRAFT REPORT, proposed by the *Chairman*, read the first and second time, and considered paragraph by paragraph, and *agreed to*, with Amendments.

Question, That this Report, as amended, be the First Report of the Committee to the House,—put, and *agreed to*.

Ordered, To Report, together with the Minutes of Evidence, and an Appendix.

MINUTES OF EVIDENCE.

LIST OF WITNESSES.

Wednesday, 7th March 1877.

	PAGE
Mr. Reginald Earle Welby, C.B., Mr. Charles Lister Ryan, and Mr. John Mason	1
Mr. Robert George Crookshank Hamilton	2
Mr. Robert John Callander	5
Mr. Carey Knyvett and Mr. Alfred R. Pennefather	5
Mr. Francis B. Alston	6
Mr. Henry Nicol	10
Mr. George Lisle Ryder	12
Lieut. Col. E. F. Du Cane, R.E., C.B.	12
Sir Francis Sandford, C.B.	16
Mr. Norman MacLeod	17
Mr. William Cockell	20
Mr. Henry William Routledge Walker and Mr. George M. Edwards	20

Wednesday, 14th March 1877.

Mr. Reginald Earle Welby, C.B., and Mr. Charles Lister Ryan	25
Mr. Algernon Bertram Mitford	25
Mr. Robert George Crookshank Hamilton	26
Mr. John Jenner Weir	28
Mr. Stevenson A. Blackwood and Mr. George Chetwynd	29

Wednesday, 18th April 1877.

Mr. Reginald Earle Welby, C.B., and Mr. Charles Lister Ryan	37
Mr. Stevenson A. Blackwood	38
Mr. John Milton, C.B.	41
Colonel C. B. Ewart, C.B., R.E.	54

Wednesday, 2nd May 1877.

Mr. Henry Nicol	58
Mr. Reginald Earle Welby, C.B., and Mr. Charles Lister Ryan	58
Mr. Edmund Johnson	58
Mr. John Milton, C.B.	60
Mr. William Minifie	61
Mr. Walter Carew Cocks	63

MINUTES OF EVIDENCE.

Wednesday, 7th March 1877.

MEMBERS PRESENT:

Sir Walter Barttelot.	Mr. Thomson Hankey.
Lord Frederick Cavendish.	Sir Charles Mills.
Lord Eslington.	Mr. Seely.
Mr. Goldney.	Mr. William Henry Smith.

LORD FREDERICK CAVENDISH, IN THE CHAIR.

CIVIL SERVICE APPROPRIATION ACCOUNTS.

CLASS I.

On Vote 12.—COUNTY COURT BUILDINGS.

Mr. REGINALD EARLE WELBY, C.B.; Mr. CHARLES LISTER RYAN; and Mr. JOHN MASON, called in; and Examined.

Chairman.

1. (To Mr. *Mason.*) WHAT office do you hold in the Accountant's Department of the Board of Works?—I am Chief Examiner of Accounts.

2. I see that the estimated amount of extra receipts payable to the Exchequer under this Vote was 500*l.*, and the amount actually paid over to the Exchequer was 10,430*l.* 5*s.* 7*d.*; can you inform the Committee what was the cause of that very large additional receipt?—I cannot speak decidedly. I think it arose from a sale to a railway company of an old court house.

Mr. *W. H. Smith.*

3. Was it not a sale to the North Eastern Railway Company?—I think it was.

4. I believe the North Eastern Company obtained powers to take a county court house, and the amount received for it was paid into the Exchequer as an extra receipt, and a sum was voted subsequently in order to replace the court house so taken?—That was so.

Chairman.

5. (To Mr. *Welby.*) Would there be any difficulty, wherever there is a great difference between the estimated amount of the extra receipts and the amount actually received, in appending a note to the Appropriation Account, explaining the cause of such difference?—None whatever.

On Vote 13.

SCIENCE AND ART DEPARTMENT BUILDINGS.

6. (To Mr. *Mason.*) In this case the estimated amount of extra receipts was 100*l.*, and the amount of extra receipts realised and paid over

Vote 13—Science and Art, &c.—*continued.*

Chairman—continued.

to the Exchequer was 1*s.*; can you state what was the cause of the amount estimated not having been realised?—I am not in a position to do so.

7. Perhaps you can furnish the Committee with that explanation?—I will endeavour to do so.

On Vote 14.

SURVEYS OF THE UNITED KINGDOM.

8. In this case also, the estimated amount of extra receipts was not realised; the Estimate was 20,000*l.*, and the amount realised and paid to the Exchequer was 16,026*l.* 8*s.* 5*d.*; can you state what was the cause of the difference in this case?—It is impossible to estimate with accuracy the amount that will be recovered upon this Service, inasmuch as it depends in great measure on the sales effected of encumbered estates in Ireland. When the sales are effected, the amount received for Surveys is paid over to the Exchequer.

9. In the second paragraph of the Comptroller and Auditor General's Report, he states that "provision is made" in this Vote "for the expense of maps for the Landed Estates Court, Ireland, the cost of which, when recovered from the proceeds of sales of estates, is paid into the Exchequer as an extra receipt," and that, "on the 31st of March last the amount outstanding in respect of this Service was 17,475*l.* 15*s.* 9*d.*"; can you state whether much of that had long been outstanding, or whether it was mostly a

Mr. *Welby*, C.B., Mr. *Ryan*, and Mr. *Mason*.

7 March 1877.

APPROPRIATION ACCOUNTS—Class I.

Vote 14—Surveys of the United Kingdom—*cont*d.

Chairman—continued.

recent liability?—The Surveys are continuous, day by day and week by week, so that there is a continual expenditure arising upon those Surveys. We can hardly call this an expenditure which has lately occurred; they keep paying in sums day by day to meet the extra cost.

10. There must always be a considerable amount outstanding, I suppose?—Yes.

Mr. *Hankey*.

11. What are these surveys for; are they ordinary Ordnance Surveys? — Yes, ordinary Ordnance surveys; the maps are supplied to the Landed Estates Court in Ireland in order to enable the Court to sell the property; they are surveys correctly defining the property.

12. And the expense of them is repaid?—Yes, it is repaid upon the sale of the property.

Sir *W. Barttelot*.

13. It has nothing to do then with the Ordnance Survey?—No; it is under the same Department; the expenditure is provided for in the votes of the United Kingdom for Surveys, and the amount received is carried to extra receipts.

Chairman.

14. The survey is made, I presume, when the sale is decided upon; and the amount is not received until the sale is actually realised?—The survey is made when the Court direct the Office to make a survey of an estate; that is long prior to the sale; it is ready for the sale; in fact it is a document to enable them to sell the property.

APPROPRIATION ACCOUNTS—Class I.

Vote 14—Surveys of the United Kingdom—*cont*d.

Chairman—continued.

15. The survey is made when the sale is determined upon?—Yes.

Mr. *Seely*.

16. Will you tell me whether the Landed Estates Court in Ireland has generally a balance?—I am not aware of that; I know nothing as to the financial position of the Landed Estates Court.

17. I merely asked the question, because if they have a balance generally standing to their credit, I do not see why the public money should be appropriated to the extent of 17,000 *l*. for their benefit when they could pay the amount themselves?—The arrangement which has been entered into is this: that as soon as a sale has been effected, the solicitor who has the carriage of the sale takes care that the costs are recovered, and the amount is paid over to the account of the department.

18. Is this sum of 17,000 *l*. about the ordinary balance due to the Government from the Landed Estates Court?—It has increased lately to the extent of about 2,000 *l*. I find that about a twelvemonth or two years ago it was about 15,000 *l*., so that it has risen lately; there have been larger surveys.

19. (To Mr. *Welby*.) Can you say whether the Landed Estates Court in Ireland have generally a balance at their disposal?—I do not know.

20. Is there any one here who does know?—We will ascertain the fact and bring the answer, if you please, at the next meeting of the Committee.

21. Will you inquire also whether there is any objection to the Landed Estates Court in Ireland finding the money for their own surveys?—Yes.

On Vote 15.

HARBOURS, &c., UNDER THE BOARD OF TRADE.

Mr. ROBERT GEORGE CROOKSHANK HAMILTON, called in; and Examined.

Mr. *Hamilton*.

Chairman.

22. (To Mr. *Hamilton*.) IN the first paragraph of the Comptroller and Auditor General's Report he states that the annual subscription of 15 *l*. towards the maintenance of a certain road should more properly be charged upon the Vote for Government Rates than upon this Vote; this is an annual payment, as I understand it?—It is.

23. And the Board of Trade has no longer anything to do with this portion of the harbour?—They were relieved from their liability by the Act which is quoted in this Report.

Mr. *W. H. Smith*.

24. Is there any obligation to pay this 15 *l*. a year?—No absolute obligation. The Board of Trade used to repair the road and charge the cost to the Harbour Vote before this Act passed. These payments have all been made with the sanction of the Treasury; and with regard to the last payment, which we made in June 1876, we ascertained from the Treasury before we made it, that no arrangement as to a contribution in lieu of highway rates had then been arrived at by the Treasury.

Chairman.

25. (To Mr. *Welby*.) Can you state whether any arrangement has now been come to for the payment of a Government contribution in lieu of these rates?—The Treasury are prepared to make an arrangement by which this sum will be paid out of the Vote for Rates in future.

On Vote 17.

RATES ON GOVERNMENT PROPERTY.

26. (To Mr. *Ryan*.) The Comptroller and Auditor General states in the third paragraph of his Report, that he deems it "desirable to call attention to the fact that the payments under this sub-head are supported by schedules signed by the Inspector of Rates on Government property, but the correctness of these schedules is not verified by this department;" am I right in supposing that what the Comptroller and Auditor General suggests is, that it might be well that the return should be sent to him in order that he might see that the schedules are in accordance with the returns, or does he think it would be desirable that he should test the accuracy

APPROPRIATION ACCOUNTS—Class I.

Vote 17—Rates on Government Property—*cont^d.*

Chairman—continued.

accuracy of the returns themselves?—Not the latter. The paragraph in the Report was mainly intended to limit the responsibility, so to speak, of the Comptroller and Auditor General, to let the House of Commons know that he accepts these rates upon the certificate of the proper officer of the Treasury whose business it is to ascertain them, and that he passes them upon that certificate. It was not intended to imply that it would be desirable that we should go over again what has been done in the Treasury, but only to define the limits of our examination.

27. Would it enable you to certify with more certainty if you saw the returns, so as to be able to compare them with the schedules?— We have the schedules; I do not think we could do more in verifying the schedules without going over again all that Mr. Griffiths does.

On Vote 20.

METROPOLITAN POLICE COURTS.

28. (To Mr. *Mason.*) Here again there is a considerable difference between the amount of extra receipts estimated as payable to the Exchequer and the amount realised—the estimate being 100 *l.*, and the amount paid over being 961 *l.* 14 *s.* 3 *d.*; can you give the Committee any information as to the cause of that difference?—I am unable to do so at present, but I will supply it to the Committee.

On Vote 26.

LIGHTHOUSES ABROAD.

29. (To Mr. *Hamilton.*) In the Report of the Comptroller and Auditor General it is stated, "A new sub-head has been raised under Treasury sanction, namely, 'Tunis—Cape Bon,' under which there is an expenditure amounting to 200 *l.* 5 *s.* 2 *d.*, the payment was charged on the Vote in May 1876, but the authority for raising the new sub-head was only applied for and obtained in December 1876;" can you state why the authority was only asked for so late?—With regard to this Vote we rarely get in the whole of the expenditure until very late, and we only make our application to the Treasury for sanction when we have got it all in.

30. But, under the circumstances of this case, a new sub-head having been included in the Estimate for this purpose, would it not have been desirable to inform the Treasury at as early a date as possible that this was being done?—We had the Treasury sanction to meet the expenditure, although we had not their formal sanction to open a new sub-head.

31. You obtained the sanction to charge the payment to the Vote in May?—We obtained the sanction some considerable period before. It was in a previous year that we obtained the sanction, but the expenditure was not actually made until the period of this Vote.

32. (To Mr. *Welby.*) The Comptroller and Auditor General continues: "The proper course would have been to have obtained the necessary authority in May, when there were sufficient savings on the Vote, but as this course was delayed till December 1876, it appears to me that the Board of Trade should have been informed

APPROPRIATION ACCOUNTS—Class I.

Vote 26—Lighthouses Abroad—*continued.*

Chairman—continued.

that final provisions could only be made for this payment when there were funds on the Vote to meet it, and that in the meantime this amount should have been temporarily defrayed from the Civil Contingencies Fund." Has it been usual in similar cases to meet such charges out of the Civil Contingencies Fund?—I cannot say that no such charge has been met out of the Civil Contingencies Fund, but the view of the Treasury is, that in the case of an excess of expenditure beyond the Vote sanctioned by Parliament, such an excess is an irregularity which requires explanation, and that the great object of the Treasury should be to secure its coming before the Committee on Public Accounts in order that the responsible department may be called upon to show whether they knew of such probable excess beforehand, and whether in that case they reported it to the Treasury, and if they did not report it to the Treasury, why they did not report it. That object is attained if the expenditure is shown as an excess upon the Vote, but if on the contrary an advance is made from the Civil Contingencies Fund and a Vote is taken in the following February, the irregularity, such as it is, passes away, and the fact of the excess having occurred would probably escape the notice of the Public Accounts Committee.

33. You think the Civil Contingencies Fund should only be used for purposes which do not properly come under any Vote?—The Treasury view of the use of the Civil Contingencies Fund is, that it is a fund placed at the disposal of the Treasury in order to enable them to make a cash advance to the departments which, owing to unforeseen claims upon them, have arrived at the limit of their Vote. Of course in such cases it is necessary that the department should carry on the service, and that funds should be legally supplied to them for that purpose. In such cases the Treasury grants an advance from the Civil Contingencies Fund to be replaced by a Vote on the earliest opportunity. Further, in addition to that the Civil Contingencies Fund gives the Treasury the power of providing funds for new and utterly unforeseen services which may arise in the course of the year; but they think the use of the Civil Contingencies Fund should be confined to those two objects.

34. It is desirable, is it not, in order that any excess which may occur should come before this Committee, that the use of the Civil Contingencies Fund should be as limited as possible?—Yes.

35. (To Mr. *Ryan.*) Have you any observation to make with respect to this?—I have no objection to the view which Mr. Welby has put forward except this, that if the Treasury sanction an excess upon a Vote, they are, in fact, sanctioning what I may call a misappropriation; they are sanctioning money being paid from one Vote which properly belongs to another.

36. From one Vote, or from one Sub-head?—They are sanctioning a payment being charged against the Vote for 1875–76, when there was no money applicable to it in 1875–76, and, consequently, that money must have been taken from the Vote for 1876–77. I am supposing that it was a strict cash account; in that case that would be the result. I think it would be possible to

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Mason*, and Mr. *Hamilton.*

7 March 1877.

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Mason*, and Mr. *Hamilton*.

7 March 1877.

APPROPRIATION ACCOUNTS—Class I.

Vote 26—Lighthouses Abroad—*continued*.

Chairman—continued.

devise a means by which, when the money was provided from the Civil Contingencies Fund, the excess should still be shown upon the account in which it occurred. If we were to call attention to every case of that sort which came to our knowledge, it would have the same effect in bringing the matter before the Public Accounts Committee, without the Treasury doing that which we hold they have no authority to do, namely, sanctioning an excess beyond the Vote.

37. Would it equally come to your knowledge?—The fact must come to our knowledge in the Civil Contingencies Account, and that account also comes before this Committee. (Mr. *Welby*.) Perhaps the Committee will allow me to mention that the Treasury in no such case sanction the expenditure, for the simple reason that they cannot sanction it. But the expenditure has actually taken place, and therefore it must be charged in some shape or other, and the Treasury finding that the expenditure has actually taken place, says to the department which has incurred it, "Leave it on your account, and you will have to settle matters with the Committee on Public Accounts when the Appropriation Account of your department is before them."

38. The irregularity having occurred it is much the same as if there had been an excess on our authorised sub-head?—Yes.

Lord *Eslington*.

39. It appears that in this case, although the sum is small, there has been a double irregularity, first of all on the part of the Board of Trade in sanctioning an expenditure which Parliament had not voted; and secondly, on the part of the Treasury in exceeding their powers, by covering that excess of expenditure from moneys provided out of a different Vote?—The Treasury would not allow that they had sanctioned this expenditure at all. The Board of Trade informs them that such and such an expenditure has taken place, that the money has actually been paid. There is no method that I am aware of, of unpaying a sum which has once been paid; there it must remain. All the Treasury say is, "Leave it as it is upon your account, until it comes before the Public Accounts Committee."

40. This might go to any extent. Would it not be the duty of the Treasury in such a case to say, "We disallow this expenditure, and throw the responsibility on the department which has incurred it without authority"?—In many cases the expenditure is perfectly unavoidable and legitimate, but the department having incurred this expenditure outside the Votes of Parliament, the Treasury has no power to allow or disallow it. That must rest with this Committee.

Chairman.

41. (To Mr. *Hamilton*.) Have you any observation to make on this subject?—Perhaps I may explain what this item really is. In 1873-74 Parliament granted 4,000 *l*. for the cost of a lantern and apparatus at this Light-house, and of that sum 3,657 *l*. was expended and charged to the account in that year; there were also certain expenses connected with the fitting up of the apparatus, which had to be done by a man who understood the work. We asked the sanction of the Treasury to our incurring that expenditure, but through some delay that expenditure was not charged in the next year, but in the year after.

APPROPRIATION ACCOUNTS—Class I.

Vote 26—Lighthouses Abroad—*continued*.

Chairman—continued.

Lord *Eslington*.

42. Practically, Parliament had knowledge of the expenditure, and sanctioned it, and this was a contingent expense arising out of the construction?—That is so.

Chairman.

43. The main part of the deficiency in the case of this Vote has occurred on Sub-head A., which relates to a Lighthouse in the Bahamas. The works under that sub-head were estimated at 4,250 *l*., but the actual expenditure was 7,719 *l*. 3 *s*. 7 *d*. The Treasury, in their letter of the 9th of December last, state that they "feel it to be their duty again to remark on the large expenditure which has been incurred on account of the Lighthouse at Bird Rock, and they are of opinion that the notice of this Board should have been called to this excess of expenditure before the Account was submitted for their consideration, with a view to a Supplementary Estimate being submitted to Parliament." Why was not the attention of the Treasury earlier called to this expenditure?—We had not the information at the Board of Trade in time. This Lighthouse is on a very outlying rock in the Bahamas Group, and there has necessarily been great difficulty in preparing the accounts, and considerable delay in sending them to us. The money is advanced by the Treasury Chest out in the Bahamas, and therefore we simply repay the expenditure when we get the accounts, so that they have got money to go on with, and we can not expect to get in their accounts, especially with respect to any work of this sort at an early period.

44. When did you receive the accounts in this case?—I cannot say at what time we received them.

45. Will you supply that information?—I will. The accounts for expenditure in the Bahamas for the December quarter 1875, were received in February 1876, and for the March quarter 1876, in May 1876. At the time the Supplementary Estimates for 1875-76 were made out, the Board of Trade anticipated that there would be a surplus in the Lighthouses Vote of from 100 *l*. to 200 *l*.

46. The Comptroller and Auditor General states, in the second paragraph of his Report, that no voucher has been produced for a payment of 8 *l*. under Sub-head A., "which therefore is inadmissible as a charge against the Vote"; has any voucher yet been received for that payment?—That voucher has been received, and has been produced to the officer of the Audit Department. It was for the payment of the salary of a man who is continuously employed, and there were receipts produced for the previous and the subsequent months' payments; but this receipt was wanting. We sent out to the Bahamas and got it, and it has since been produced to the Comptroller and Auditor General.

47. (To Mr. *Ryan*.) Is it satisfactory?—It is.

APPROPRIATION ACCOUNTS—Class I.—*continued.*

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Mason*, Mr. *Hamilton*, and Mr. *Callander*.

7 March 1877.

On Vote 27.

BRITISH EMBASSY HOUSES AND CONSULAR LEGATION BUILDINGS.

Mr. ROBERT JOHN CALLANDER, called in; and Examined.

Chairman.

48. (To Mr. *Mason.*) THE Comptroller and Auditor General states, in paragraph 2 of his Report, that "The defalcation by the Clerk of the Works at Constantinople, referred to in the Report upon the Account of 1874-75 of this Vote, has not yet been adjusted"; can you state whether this defalcation has been adjusted now?—I may say that it is in course of adjustment at the present time. We have now received the vouchers requisite to complete the account, and I can state the amount which will become a charge against the Vote.

49. It is stated in Mr. Mitford's letter of the 30th of November last, that "the balance of the amount recovered from Rapson's estate will be credited against the sum fraudulently obtained by Rapson from the late Sir Philip Francis. The difference between that sum and the amount of the defalcation will become a charge upon this Vote for the year 1876-77"; is it so included or not?—That will not be the case now, inasmuch as the Treasury have decided that the cost of the prosecution shall be deducted from the amount recovered. The balance will become a charge upon the Vote.

50. The balance of the sum recovered over the costs of the prosecution will be applicable to meet this defalcation; is that so?—Yes, that is so.

51. Will the further balance be provided for in the estimates of this year?—The difference will become a charge upon the Votes of this year; the amount is 763 *l.* 3 *s.* 4 *d.*

52. Has it been provided for in the Estimates of this year?—It will become a charge upon those Estimates under Treasury authority.

53. I ask whether it has been provided for in the Estimates submitted to Parliament for this year?—I do not think the absolute amount has, because we were not in a position to say what that amount would be at the time when the Estimate was prepared.

Mr. *W. H. Smith.*

53* (To Mr. *Callander.*) Is there sufficient provision to meet it?—I think there is, certainly.

CLASS II.

On Vote 1.—HOUSE OF LORDS OFFICES.

Chairman.

54. (To Mr. *Welby.*) I believe, on the suggestion of this Committee last year, the Treasury sent a circular to all the departments, requiring that whenever an additional sum was paid to an officer receiving a salary, a note to that effect should be inserted in the Estimate?—A circular was drawn up in accordance with that recommendation, and sent round to the departments. With the permission of the Committee I will put in that circular. (*The same was handed in,* vide *Appendix*).

55. In cases where no such note has been inserted in the Estimate, did you require that it should be inserted in the account?—The circular of which I have put in a copy, does not distinctly state that a note is to be put upon the Appropriation Account when it has not been put upon the Estimates; I think however that by implication it would be gathered by any department that they ought to put a note in the Appropriation Account, when it is not put in the Estimate. I may state that the form in which the Treasury sent the circular round was this: it was accompanied by this letter—"I am directed by the Lords Commissioners of Her Majesty's Treasury to transmit to 'the Department' the annexed extract from a Minute of this Board, upon the Reports of the Committee of Public Accounts of 1876, relating to the insertion of notes in the Estimates and Appropriation Accounts of Public Departments, in all cases in which an officer receives remuneration in addition to the fixed salary of his office. Their Lordships request that the special attention of your department may be drawn to this subject." The extract of the Minute enclosed in that letter does not absolutely name the account, but I think with that covering letter, a department ought to have put a note on the account if there was not one on the Estimate.

[Mr. *Callander* withdrew.

On Vote 4.—HOME OFFICE.

Mr. CAREY KNYVETT and Mr. ALFRED R. PENNEFATHER, called in; and Examined.

Chairman.

56. (To Mr. *Knyvett.*) THE Comptroller and Auditor General calls attention to the fact that "One of the Inspectors of Fisheries has received, in addition to his salary as inspector, a sum of 31 *l.* 10 *s.* for services in connection with the Herne Bay Oyster Fishery Inquiry." Why has no note been appended to the account to that effect?—The Estimates for the year 1875-76 were prepared in November 1874: the inquiry referred to did not take place until the summer of 1875, and the payment was made in March 1876. The Estimates for 1876-77 were prepared in November 1875, when the payment had not been made. The Estimates for 1877-78 were prepared in November 1876, and the payment having been made in the previous March, a note was made upon the first occasion when it could be.

Mr. *Knyvett* and Mr. *Pennefather.*

57. Where

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Mason*, Mr. *Hamilton*, Mr. *Knyvett*, and Mr. *Pennefather*.

7 March 1877.

APPROPRIATION ACCOUNTS—Class II.

Vote 4—Home Office—*continued*.

Chairman—continued.

57. Where is the note made?—In the Estimates of 1877-78, which were the first Estimates that were prepared after the payment.

58. Could you not have appended a note to this Appropriation Account?—If it is meant that a statement should be made under the head of "Fishery, C. 1," I can only say that no instructions have been received by the Home Office that that should be done either from the Treasury or the Audit Office.

59. You did not understand from the Treasury Circular that you were to call attention to the fact in the account?—No.

60. (To Mr. *Pennefather*.) Can you give any further explanation of this matter?—We had another difficulty about it; we should not know of the payment, because it comes out of another Vote; and as regards what Mr. Welby has just said, we should find great difficulty in ascertaining the fact of such a payment having been made when it comes out of another Vote; in point of fact, it would necessitate our sending a circular to every officer on our list, because we cannot possibly ascertain otherwise whether or not they have been doing work for any other department, or getting any money for public services elsewhere. I venture to make that observation in relation to what Mr. Welby has just said.

61. (To Mr. *Knyvett*.) Would the same observation apply to the payment of 115 *l.* 2 *s.* 6 *d.* which was made to two officers of the Home Office during the year 1875-6 as Commissioners in connection with assessment and collection of Income Tax for the Metropolitan Police; the Comptroller and Auditor General calls attention to that payment in the third paragraph?—In that case the payment was made to the Under Secretary of State, and the then Chief Clerk, who received and paid over the money to the clerks of the Metropolitan Police Office. They received it as Commissioners, and paid it over.

62. To whom did they pay over this sum?—To the clerks of the Metropolitan Police Office, who are not paid out of the public funds at all, and therefore, by the Treasury rule, are allowed to receive that sum.

63. Can one of the officers of your department do work for another department without the sanction of the chief of your department?—If I understand your Lordship's question rightly, you mean act as Commissioner for the Income Tax?

64. I am referring to the previous answer with regard to the Inspector of Fisheries?—I believe that an Inspector of Fisheries could not act for the Board of Trade without some special understanding between the Secretary of State and the Board of Trade on the matter.

65. (To Mr. *Pennefather*.) Therefore you would have no difficulty in ascertaining if he was in the receipt of additional remuneration?—In that particular case we should not, but there are a great many cases in which officers on our list could act without the sanction of the chief of the department. For example, one of our inspectors acts as an examiner of artillery without the sanction of the chief of the department. He would conduct the examination in his spare time, and therefore the sanction of the Secretary of State has not been considered as necessary. Another inspector receives 100 *l.* for lending his collection of economic fish culture to the South Kensington Museum. He can lend that collection without asking the permission of the Secretary of State; therefore the Home Office would not necessarily be in a position to know whether those officers have received any extra money or not.

Mr. *W. H. Smith*.

66. (To Mr. *Knyvett*.) Do you mean to lay it down as a principle that it is in accordance with the regulations of the Public Service that a Civil servant is at liberty to take a payment from another department of the State without the knowledge or the sanction of his own chief?—Not as a principle, certainly.

67. Are you not prepared to admit that the principle is just the reverse of that?—Yes.

68. It would be a dangerous principle to assert in this room that any Civil servant receiving pay from one department can receive pay also from another department, without the sanction of his own chief, even during his spare time or his holiday?—Yes.

69. You are prepared to accept that as a matter of principle?—Yes.

Chairman.

70. I understand that in this year's Estimates all cases of additional remuneration are stated in a note?—Yes.

[Mr. *Knyvett* and Mr. *Pennefather* withdrew.

On Vote 5.—FOREIGN OFFICE.

Mr. FRANCIS B. ALSTON, called in; and Examined.

Mr. *Alston*.

Chairman.

71. IN the 3rd paragraph of the Report of the Comptroller and Auditor General, he states that, "as regards the payment to a Foreign Office clerk whilst acting as third secretary to the Mission in Persia, his salary and extra allowance would have been more properly charged to one and the same Vote"; was the salary of this clerk charged to the Foreign Office Vote, or to the Vote for Diplomatic Services?—The salary was charged to the Foreign Office Vote.

Chairman—continued.

72. And also the extra payment?—The extra payment was charged to the Diplomatic Vote, as it is a diplomatic allowance; and you will find that in the Estimates of the current year it is so estimated for.

73. Do you see any objection to the allowance being charged to the same Vote as the salary?—You will find other instances in that very account of allowances charged to the Diplomatic Vote for gentlemen whose salaries are drawn from the Foreign

APPROPRIATION ACCOUNTS—Class II.

Vote 5—Foreign Office—*continued.*

Chairman—continued.

Foreign Office Vote; for instance, Mr. Kennedy's allowance and several others; therefore it is no new principle.

74. (To Mr. *Ryan.*) Have you any further observation to make upon this subject?—It seemed to be altogether rather a doubtful question whether this gentleman should be allowed to receive his allowance. It has formed the subject of a correspondence between the Treasury and the Foreign Office, and the result has been that the Treasury has sanctioned the amount; consequently we have no further observations to offer.

Mr. *Seely.*

75. I notice that in the note to this account it is stated, "Allowances, amounting in the aggregate to 1,546 *l.* 13 *s.* 2 *d.*, were paid to members of the Foreign Office for special services during the period of this account"; is that amount included under the head of expenditure for "Salaries, Wages, and Allowances," amounting to 41,642 *l.* 16 *s.* 5 *d.*?—No; those extra allowances are charged to the Diplomatic Vote.

76. They were included in the Estimates, then?—They were provided for in a Supplementary Estimate for Diplomatic Services.

77. Does the chief of the office determine the amount of the gratuity which should be given, say, to the British representative at the Conference on the French Commercial Treaty?—Yes, in communication with the Treasury; with Treasury sanction.

78. Did he get the Treasury sanction in every case?—Yes.

79. I find in the same note that "a sum of 1,450 *l.* was paid to the Librarian for his work entitled the 'Map of Europe by Treaty,' the Government paying for its production, and receiving the proceeds of its sale," and I so understand that there was a loss of 1,450 *l.* in bringing out the work entitled the "Map of Europe by Treaty"?—That was the cost of its production; the gain will depend upon the number of copies sold.

80. The account of that sale has not been made up yet?—The sale is being conducted by the Stationery Office at the present time.

81. Then the 1,450 *l.* was the total expense of producing the work?—Yes.

82. And at present you have not got the proceeds resulting from the sale?—The proceeds are being collected by the Stationery Office as they sell the work.

83. Do you know how much has been already received?—No, I am not in a position to answer the question.

84. Under what head is this 1,450 *l.* charged?—You will find it in the Vote for Civil Contingencies for the present year; I saw it this morning.

85. Was the gratuity of 500 *l.* which was paid to the British Representative at the Conference on the French Commercial Treaty made clear to the House of Commons in a note appended to the Estimate as being in addition to his salary?—The payment was made after the Estimate was presented.

86. (To Mr. *Welby.*) The British Representative at the Conference on the French Commercial Treaty has received a sum of 500 *l.* as a gratuity, in addition to his salary; how will that come under the notice of the House of Commons?—It will be a sum charged to the Diplomatic Vote, and paid out of the Diplomatic Vote, and it will appear in the account of the Diplomatic Vote for the year.

87. Will there be a special note saying that a certain member of the Foreign Office has received 500 *l.* in addition to his salary?—Mr. Alston will be able to say whether he has put that note on to the account or not; he prepared the account.

88. (To Mr *Alston.*) Is there such a note put on to the account?—There is a note to the account, but it is not so fully stated as you would seem to desire; there is a note to the account stating that allowances, amounting in the aggregate to so many hundred pounds, have been paid to officers of the department.

89. (To Mr. *Welby.*) I thought you stated to the Committee a short time ago, some arrangements by which the House of Commons would see where an addition had been made to the salary of a particular officer?—An addition may be made to the salary of an officer during the course of a financial year by the head of a department, with the consent of the Treasury, and there would be no necessity for making any special mention in the Appropriation Account of such deviation from the Estimate, so long as it does not lead to an excess beyond the amount voted by Parliament.

90. Then if the Foreign Office, for instance, were to make a grant of 2,000 *l.* more than was sufficient to cover the ordinary regular salaries of the officers of the department, and was then to give 1,500 *l.* in gratuities to the various officers of the department, no notice would be taken of it?—If those gratuities were given in such a way as not to cause an excess upon the Vote, I presume the Comptroller and Auditor General would see no reason for calling in question that exercise of power by the head of the department with the consent of the Treasury.

91. And therefore the House of Commons would not be informed that 1,500 *l.* had been added to the salaries of the officers of that department?—There would be no special note made of it.

Chairman.

92. (To Mr. *Alston.*) On future occasions I presume there will be no difficulty in giving this note in greater detail?—None whatever.

93. May the Committee understand that that will be done in future?—Certainly.

Mr. *Hankey.*

94. Under what head are the expenses of the telegrams, which are sent by the Foreign Office, charged; I see there is only a sum of 4,000 *l.* put down here; that must be a very small part of the total expenditure incurred in that way by the Foreign Office in a year?—We have very much exceeded our Vote for telegraph expenses in the current year.

95. You only exceeded it by 749 *l.* 4 *s.* 5 *d.* according to this account?—That relates to last year.

APPROPRIATION ACCOUNTS—Class II.

Vote 5—Foreign Office—*continued.*

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Mason*, Mr. *Hamilton*, and Mr. *Alston.*

7 March 1877.

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Mason*. Mr. *Hamilton*, and Mr. *Alston*.

7 March 1877.

APPROPRIATION ACCOUNTS—Class II.

Vote 5.—Foreign Office—*continued.*

Mr. *Hankey*—continued.

96. Do the Foreign Office themselves pay out of their ordinary expenditure for all the telegrams that they send out?—Yes, all those they send abroad.

97. It came to a very small sum in the year we are dealing with, 1875-76?—It has grown very much this year.

[Mr. *Alston* withdrew.

On Vote 8.—BOARD OF TRADE.

Chairman.

98. (To Mr. *Hamilton.*) With respect to the observations made by the Comptroller and Auditor General in the first paragraph of his Report with regard to the expenditure incurred in carrying out the provisions of the Merchant Shipping Act of 1875, was the amount of those expenses unknown until it was too late to apply for a Supplementary Estimate?—We could not at all tell what the amount of those expenses would be, nor could we tell exactly how they would be charged. This was an existing service, and many of the officers whose salaries were borne upon the Mercantile Marine Fund were used for the purposes of the Act, but under the Act, the cost was thrown upon the Vote. We were in communication with the Treasury on the subject from the time of the passing of the Act.

99. A decision seems to have been arrived at upon the manner of charging this amount about the 1st of January; would there not then have been time to take a Supplementary Estimate?—I do not think we could at all have told what the expenses would be at that time; we knew that there were some expenses to be met, but we could not at all tell what they would amount to.

100. In paragraph 2 of the Report it is stated that the final arrangement come to was that the whole amount paid to these officers should be charged to the Vote, and the Comptroller and Auditor General adds that he is "not aware that any arrangement has been made for repaying to Imperial Funds the sums legally chargeable to the Mercantile Marine Fund;" can you state whether those sums have been repaid?—The charges here only represent part of the charges; those that could be easily separated as between the Vote and the Mercantile Marine Fund. It is true that certain of the officers whose salaries are charged for here did services which had reference to the Mercantile Marine Fund; but there was also employed a staff all of whom were paid out of the Mercantile Marine Fund to do services which were chargeable to the Vote. It has been an extremely difficult and complicated matter to separate the two services, and there is a proposal now before the Treasury for that separation made by the Board of Trade. That proposal has not yet been wholly accepted by the Treasury; but I think it will probably be accepted soon, and one of the bases of that settlement is that this charge should be allowed to remain against the Public Vote.

101. Would that be the end of it?—Yes. It must be borne in mind that if you went into the whole question, there would be charges *per contra*, in respect of the salaries of the men who rendered services in connection with the Merchant Shipping Act, and whose salaries were wholly charged to the fund.

APPROPRIATION ACCOUNTS—Class II.

Vote 8—Board of Trade—*continued.*

Chairman—continued.

Lord *Eslington.*

102. I understand that all services performed outside the four corners of the Act of 1875 are legally chargeable to the Mercantile Marine Fund?—Yes.

103. But I observe that Mr. Farrer, finding himself in some difficulty, suggests that an alteration of the law will be requisite; are the Treasury and the Board of Trade at this moment in communication as to the extent to which such an alteration of the law should go?—The whole question is under consideration. My own opinion is that we shall probably arrive at a settlement for which we shall not require further legislation; but I cannot say what the settlement will be at present.

104. As to the fees paid by owners upon a survey, I presume they appear upon the Vote as extra receipts?—They will now.

105. They will be paid into the Exchequer?—Yes.

Mr. *W. H. Smith.*

106. Under the Act of 1876?—Yes.

107. Prior to 1876 all the fees went into the Mercantile Marine Fund?—Yes.

108. But now they come into the Exchequer, and we pay the whole costs of the staff so employed?—Yes.

Chairman.

109. In paragraph 3 of the Report, the Comptroller and Auditor General states, with regard to expenditure under the sub-head we have been speaking of, "the formal authority of the Lords of the Treasury for the salaries paid to the officers appointed under the Act of 1875 has not been furnished;" has it since been furnished?—I am not quite sure whether it has been furnished, but it has been obtained from the Treasury. They have given a general sanction to the whole of the salaries as detailed in a Paper which was laid before Parliament last year.

110. Then if that authority has not been laid before the Comptroller and Auditor General it soon will be?—We shall send it on at once. (Mr. *Ryan.*) We have not yet received it.

111. With respect to the repayment of half a fine of 5 *l.* inflicted on the master of a vessel under the Merchant Shipping Act of 1854, do I rightly understand that the Comptroller and Auditor General thinks that it would have been more proper that this payment, if made at all, should be shown under a new sub-head?—Yes, inasmuch as it was not a service which came strictly within the definitions of the Vote.

112. (To Mr. *Hamilton.*) Passing on to paragraph 6 of the Report, has the question yet been decided as to the necessity of certain officers employed in the Survey Branch of the Board of Trade having Civil Service certificates?—That question is still under consideration; we are now furnishing a very detailed nominal list to the Treasury with the view of having the necessary certificates of qualification from the Civil Service Commissioners

APPROPRIATION ACCOUNTS—Class II.

Vote 8—Board of Trade—*continued.*

Chairman—continued.

Commissioners for those who have not yet got them.

113. It appears, also, that "remuneration for extra services has been made to certain salaried officers without the previous sanction" of the Treasury; has that sanction been since obtained?—It has been obtained, and I think furnished to the Comptroller and Auditor General.

114. (To Mr. *Ryan.*) Have you received it?—Yes; we have received it.

115. Is it satisfactory?—Yes.

116. With respect to the payments to the Procurators Fiscal in Scotland, has the opinion of the Lord Advocate been received?—It has not; but I understand that he is now in communication with the Treasury upon the subject. We have not received it.

117. (To Mr. *Welby.*) Can you say whether that question will be settled shortly?—I am not able to state when it will be settled; the Treasury are at present in communication with the Lord Advocate upon the subject.

[Mr. *Hamilton* withdrew.

On Vote 13.

INCLOSURE AND DRAINAGE ACTS IMPREST EXPENSES.

118. I see that under this Vote the amount of extra receipts realised in the year was 7,044 *l.* 4*s.* 1*d.*, and the amount paid over to the Exchequer was 8,092 *l.* 17*s.* 4*d.*, can you explain how they were able to pay over more than they received?—There must have been some balance in their hands on the last day of the previous year, which had not been paid over.

On Vote 21.

PAYMASTER GENERAL'S DEPARTMENT.

119. Is the messenger who is referred to in the Report as having failed to obtain a certificate of qualification still employed?—I believe not. The Treasury entirely admit the force of the Comptroller and Auditor General's objection. The fact of the matter was, that they were pressed to sanction the employment of the messenger, and, fully expecting that he would obtain a certificate, they sanctioned his employment at once. Unluckily he did not obtain the certificate, and they were consequently placed in the disagreeable position of having, contrary to rule, sanctioned the employment of an officer who had not a certificate of qualification.

120. The Order in Council makes no provision for the employment of redundant officers without a new certificate?—No, I believe not.

On Vote 33.

BOARD OF SUPERVISION FOR RELIEF OF THE POOR, AND FOR PUBLIC HEALTH, SCOTLAND.

121. The Comptroller and Auditor General seems "it desirable to call attention to the fact that the payments under these Sub-heads" (those are the Sub-heads for Medical Relief and Pauper Lunatics) "have always been passed on its being

APPROPRIATION ACCOUNTS—Class II.

Vote 33—Board of Supervision, &c.—*continued.*

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Mason*, and Mr. *Hamilton.*

7 March 1877.

Chairman—continued.

ascertained that the particulars agreed with the Appendices to the Annual Reports of the Board of Supervision;" can you state whether payments are made in a similar manner out of the Vote for England?—No; I am not able to say.

122. (To Mr. *Ryan.*) Do you think that this system gives the Comptroller and Auditor General sufficient information?—I think it would be very difficult for him to go further. I think he must take these payments upon the authority of the Board of Supervision.

On Vote 40.

OFFICE OF PUBLIC WORKS, IRELAND.

123. (To Mr. *Welby.*) Here again there is a case of a temporary messenger employed without a certificate of qualification from the Civil Service Commissioners; has any arrangement been made for terminating this irregularity?—At the close of 1874 the Board of Works wrote to the Treasury saying that they had been under the necessity of temporarily employing William Barrett, pending a regular appointment, and they asked the approval of the Treasury to their doing so. The expenditure had so far been incurred, and the Treasury upon that sanctioned the temporary employment, and stated that they were taking the necessary steps to fill up the vacancy in a regular manner. I do not understand that Mr. Barrett has been employed in the intervening time.

124. (To Mr. *Ryan.*) Have you any remark to make upon this?—Mr. Barrett has been continuously employed until the present time.

Mr. *Hankey.*

125. Is he still employed?—Yes, he is still employed. We wrote to the Public Works Commissioners in Ireland in December last, asking them whether they had done anything to obviate the irregularity; we did not receive any reply to our letter.

Chairman.

126. Have you as yet received any reply?—No, we have not received any.

On Vote 42.

GENERAL SURVEY AND VALUATION OF IRELAND.

127. (To Mr. *Welby.*) With respect to the extra receipts it is stated that the "proportion of cost paid over by the treasurers of the several counties and cities to the Supply Account of the Paymaster General, is 5,292 *l.* 10 *s.*, of which sum there has been paid to the Exchequer 2,437 *l.* 10 *s.*;" where has the balance been paid to?—The difference between those two sums would be in the hands of the Paymaster General as a sum not yet paid over to the Exchequer.

128. But on page 137, where there is a statement showing all the extra receipts realised, it appears that the whole sum has been realised; the amount there given is 5,993 *l.* 3 *s.*?—No doubt that sum has been realised and was realised at that time, and was in the hands of the Paymaster General, but a part of the amount had

Mr. *Welby*, C.B., Mr. *Ryan*, and Mr. *Mason*.

7 March 1877.

APPROPRIATION ACCOUNTS—Class II.

Vote 42—General Survey, &c.—*continued.*

Chairman—continued.

not been paid over to the Exchequer. You just now called attention to a case in which a larger sum had been paid over to the Exchequer than had been received in the year. This is just the reverse case to that. There is certainly rather a large balance here, upon which, if the Committee like, I can make inquiry.

129. You will inform us of the result of your inquiry at our next meeting?—Yes.

CLASS III.

On Vote 2.

CRIMINAL PROSECUTIONS, SHERIFFS' EXPENSES, &c.

130. (To Mr. *Ryan.*) The Comptroller and Auditor General deems "it desirable to draw attention to the fact that the payments under" certain "Sub-heads have always been passed on the Reports of the Examiners of Criminal Law Accounts, upon the returns furnished from the several countries, but these returns are not transmitted to this department"; I presume a similar answer to that which you have already given would apply to this case?—The general reason for making these observations was to define our responsibility with reference to the examination, in order that it should not be supposed, in consequence of our giving a certificate, that we had examined that which we had not examined.

131. But you consider that you have as much information as can be conveniently given to you?—I cannot say that positively, without going into returns, which I have not before me; but as a general principle, I think, we have as much as is necessary.

APPROPRIATION ACCOUNTS—Class III.

Vote 2—Criminal Prosecutions, &c.—*continued.*

Mr. *W. H. Smith.*

132. Would it be correct to describe this, and some other cases analogous to this, as an audit following upon an audit?—Yes, it would.

133. The duties of the Examiners of Criminal Law Accounts are very much the duties of an auditor, are they not?—Yes.

Chairman.

134. And there would be no great benefit arising from your receiving these returns, unless you were to perform over again a labour which has already been performed?—No.

On Vote 3.

COURT OF CHANCERY, IRELAND.

135. The Comptroller and Auditor General observes that the deficit under this Sub-head ("Salaries") would have exceeded the amount shown in the account, if the payment of the salaries due to the bank clerks employed at the Chancery Pay Office, for nine months of the year 1875-76, had not been postponed until the year 1876-77?—We have received a subsequent communication from the Chancery Paymaster, who says, that he has requested that any demand that the Bank may have for the services of clerks employed at the Chancery Pay Office may be made in future in the financial year.

136. The postponement of a payment described in this paragraph was not made in order to avoid a deficit, but was owing to the manner in which the business was transacted between the Bank and the Chancery Paymaster?—Yes, but it had the effect of postponing the charge until the next year, and therefore we drew attention to it.

On Vote 6.—COUNTY COURTS.

Mr. HENRY NICOL, called in; and Examined.

Chairman.

Mr. *Nicol.*

137. (To Mr. *Nicol.*) IT appears that the Registrar of the Court at Whitchurch failed to comply with requirements of the Act, and of the Treasury, with reference to sending a return of the moneys received by him; has he yet made a return?—The return would not be made to me; it is a return made to the Audit Office against me as accounting officer. Until I saw the Appropriation Account, I did not know of the neglect of this officer. In former years I have been asked to whip up neglectful registrars, and I have done so, and I should have done so in this instance if I had been asked.

138. (To Mr. *Ryan.*) Has the Audit Office received any return since the date of the Report?—We have received nothing from this gentleman, and after applying three times we told him at last that we should not apply any more, we should report him.

Mr. *W. H. Smith.*

139. (To Mr. *Nicol.*) Have you any information upon the subject?—None at all. The return would not come through me; it is a return by which I am charged as accounting officer. (Mr. *Ryan.*) It is a return to check Mr. Nicol.

Mr. *W. H. Smith*—continued.

Mr. *Seely.*

140. (To Mr. *Nicol.*) I see that under the head of "Salaries" there is an increase of 10,108 *l.* 2 *s.* 7 *d.*, and the explanation of that is that it was caused by "the increased number of plaints entered in the courts;" how does that explain it?—The Registrars of the County Courts are paid by salaries, increasing from a minimum, by 4 *l.* for every 25 plaints entered; in fact, they are paid by results in accordance with Section 14 of 29 Vict. c. 14.

Sir *W. Barttelot.*

141. The increase is on account of the extra work which has been placed upon them?—Yes, by the increase of the plaints entered.

On Vote 7.

COURTS OF PROBATE AND DIVORCE.

Chairman.

142. (To Mr. *Welby.*) With respect to the employment

APPROPRIATION ACCOUNTS—Class III.

Vote 7—Courts of Probate and Divorce—*cont^d.*

Chairman—continued.

employment of Mr. Charles Button in the Principal Registry at Westminster, has any determination been come to by the Treasury as to the class of certificate which is required for that office?—There has been a correspondence going on, apparently for sometime, on the subject of this appointment, and on a Report of the Civil Service Commissioners, made as late as December last, a special examination has been decided upon for this officer; it is an examination which would not qualify him for any other office, but I presume it has been arrived at in order to grant him a certificate.

143. (To Mr. *Ryan*.) Have you any observation to make upon this case?—I can add to that, that he has obtained his certificate of qualification from the Civil Service Commissioners.

On Vote 10.

POLICE COURTS—LONDON AND SHEERNESS.

Mr. *Goldney*.

144. (To Mr. *Welby*.) What is the regulation in force in the departments as to the payment of fees to a salaried officer holding another position; do those officers account for those fees in any way?—Yes.

145. The principle is that when a salaried officer receives fees in the course of his business, those fees go into the Exchequer?—Certainly.

146. According to the statement here, this was a salaried officer?—The representative of the Home Office will be better able to answer the question.

147. (To Mr. *Pennefather*). I understand from this Report of the Comptroller and Auditor General, that a salaried officer has received certain fees, amounting to 374 *l.* 13 *s.* 10 *d.*; are those fees accounted for to the Exchequer, or do they fall to the clerk's private purse?—These particular fees go into the clerk's private purse.

148. Are there any other fees that you know of which are exceptional in that way?—This can hardly be called a fee; it is extra remuneration for performing extra services. The word "fee" is used in the Report, but the work in connection with inquiries held under the Merchant Shipping Act in those days was an entirely distinct service, which was not covered by the salary this gentleman received as chief clerk to the police court.

149. I suppose there was a scale of fees for it as well as for other work, was there not?—The Board of Trade would be able to answer the question with regard to the scale upon which the payment was made. The Home Office did not make the payment.

150. (To Mr. *Hamilton*.) Can you state upon what these payments were made?—These fees were paid for rendering certain services in connection with the inquiries under the Merchant Shipping Act, and for those made directly by the Board of Trade we got special Treasury sanction, as I have already explained.

151. Is there a scale of fees laid down for this particular business?—No, I think not. These payments were mainly made through the Solicitor to the Customs, and I am not so competent to

APPROPRIATION ACCOUNTS—Class III.

Vote 10—Police Courts—London and Sheerness—*continued.*

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Mason*, and Mr. *Nicol*.

7 March 1877.

Mr. *Goldney*—continued.

speak to them as to payments made directly by the Board of Trade; but my impression is that they are small payments of 5 *s.* a day to the Usher of the Court for looking after the Court at the time of these inquiries.

152. I was not referring to the Usher at the moment, but to the Chief Clerk of the Court, who receives a salary; this is not exceptional business, it is business constantly going on?—It will not go on in future as much as it has done hitherto, because there is now a Wreck Commissioner who holds inquiries either at Westminster or Poplar, as may be thought most convenient.

153. Still it does go on?—Occasionally.

154. Is there a scale of fees for this work, or does the Solicitor to the Board of Trade at his own discretion, give so much money?—My impression is that there is a scale, I should not say of fees, but of payment. I will ascertain the fact as to that. (See *Appendix*.)

Mr. *W. H. Smith*.

155. (To Mr. *Pennefather*.) There is a note made to the Estimates for the Police Courts this year, "One chief clerk received 202 *l.* from the Mercantile Marine Fund, as clerk to the Court of Inquiries under the Merchant Shipping Act during the year ended 30th September 1866." I see the chief clerks receive salaries rising from 350 *l.* to a maximum of 500 *l.*; on what principle does a chief clerk of a police court receive any fee at all for public work in addition to his salary?—I believe, as Mr. Hamilton has just pointed out, that it has always, or for many years past at any rate, been admitted that the salary is only given to him for performing the duties in connection with the police court, and that this work was quite foreign to his ordinary work as a clerk of the police court; this was extra labour imposed upon him owing to special legislation. This has been going on for many years, but it has nearly ceased now, as Mr. Hamilton has stated, and the inquiries will in future be very few indeed, and consequently the remuneration will be very small.

Chairman.

156. Is the clerk supposed to give his whole time to the public service?—Yes, he gives his whole time to the public service.

Mr. *Goldney*.

157. With reference to what the Secretary to the Treasury has just read from the Estimates, it appears that this clerk is there stated to have received 200 *l.*, whereas according to the Comptroller and Auditor General's Report, he has received nearly 400 *l.* extra; how do you account for the difference between those figures?—That refers to a different year.

158. The Report refers to the year 1875-6?—The note in the Estimates refers to the year ended the 30th of September 1876, and this Report refers to the year ended the 31st of March 1876; there is six months difference.

159. How do you account for the amount being doubled in that time?—I suppose there

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Mason*, and Mr. *Nicol*.

7 March 1877.

APPROPRIATION ACCOUNTS—Class III.

Vote 10—Police Courts—London and Sheerness—*continued*.

Mr. *Goldney*—continued.

must have been some very heavy inquiry held in the period between March and September 1876.

160. If there was a still heavier one held at any time, the amount might go to 800 *l.*?—It might have gone to 800 *l.* as far as we could tell.

Mr. *W. H. Smith.*

161. (To Mr. *Hamilton.*) As a matter of fact these inquiries will now be held by the Wreck Commissioner, will they not?—Mostly.

162. That is to say, the London inquiries?—Yes.

163. So that the charge has ceased, practically?—That is so.

On Vote 11.—METROPOLITAN POLICE.

Chairman.

164. (To Mr. *Welby.*) In the explanation of the causes of the variation between expenditure and grant, it is stated that "the Estimate was prepared in the Treasury from particulars obtained from the Metropolitan Police Office, and it was not referred to the Secretary of State before being printed"; as the accounting officer belongs to the Home Office, should not the Estimate have been prepared by the department which accounts?—My impression is that that was the year in which the Vote was transferred from the charge of the Treasury to that of the Home Office.

165. (To Mr. *Pennefather.*) Are you aware

APPROPRIATION ACCOUNTS—Class III.

Vote 11—Metropolitan Police—*continued*.

Chairman—continued.

whether that was the cause of it?—I think that was not the explanation of it. The fact as regards this particular case was, as Mr. Welby will probably remember, that there was a great difference of opinion in that year as to how the Vote should be presented to Parliament. It was the first year in which Parliament increased the contribution to the Police in consequence of the Chancellor of the Exchequer's proposals on local taxation. We at first simply doubled what was then being given to the Police; viz., one quarter of the rate upon the rental assessed, and we at once gave them one half of the rate upon the rental assessed. The Treasury said that that was an erroneous interpretation of the Chancellor of the Exchequer's proposals, and they considered how they could alter the Estimate so as to meet the Chancellor of the Exchequer's wishes. We sent in an Estimate, prepared in a certain way, and the Treasury altered it to the form in which it was presented by them to Parliament, and the figures were inserted by the Treasury from information which was obtained by them from the Police Office, and which did not pass through the hands of the Secretary of State. The consequence is, that an error crept in which, had the figures passed through the Home Office, would have been detected; that is to say, the figures for a wrong year were taken.

166. If I understand you rightly, the Estimate was originally presented by the Home Office, but was altered by the Treasury?—It was submitted by the Home Office to the Treasury, and was altered at the Treasury.

Mr. GEORGE LISLE RYDER, called in; and Examined.

Chairman.

Mr. *Ryder.*

167. (To Mr. *Ryder.*) HAVE you anything to add to what Mr. Welby has already said on this matter?—No; I believe that the account of it which has been given by Mr. Pennefather is correct. The figures supplied by the Police Office were arrived at upon a basis somewhat different from that ultimately adopted by the Treasury for the Government contribution.

168. Is it not usual when a department has to account for a Vote that it should be acquainted with the amount of the Estimate which is presented to Parliament?—I think we did write to the Home Office and tell them what had been done, but it was too late then to alter the Estimate. (Mr. *Pennefather.*) The Treasury would send us a copy of the printed Estimate after it

Chairman—continued.

had been presented to Parliament. They would write and say, "We send you a copy of the printed Estimate as it has been presented to Parliament, and that was the course they actually took in this case; but, as Mr. Ryder has said, it was too late then to correct the mistake.

169. You were not shown the Estimate as presented to Parliament, until it was so presented?—We were not.

Mr. *Hankey.*

170. Was that an error of the Home Office?—We should say, I suppose, that it was a slip of the Treasury in not asking the Home Office about it.

On Vote 13.—CONVICT ESTABLISHMENTS IN ENGLAND AND THE COLONIES.

Lieutenant Colonel E. F. DU CANE, R.E., C.B., called in; and Examined.

Chairman.

Lieut. Col. *Du Cane.*

171. A Supplementary Vote of 800 *l.* seems to have been taken for this Service for the year 1875–76?—Yes.

172. Do you know when that Vote was taken; was it at the close of the financial year?—I think it was taken at the close of the financial year, but I am not quite sure.

Chairman—continued.

173. I see that, under Sub-head D., it is stated that the reason why the Vote has been exceeded was, that "the amount taken in the Estimate does not include provision for the additional staff required for Wormwood Scrubbs and Borstal Prisons"; was it known, when the Supplementary Estimate was presented, that provision would be

Chairman—continued.

be required for this additional staff?—I am not prepared to answer that question. I did not know that I should be likely to be asked about the date at which the Supplementary Vote was taken, or this matter either.

174. I only ask for the date, because I want to know, when you were applying to the Treasury for the Supplementary Vote, why provision was not made for this expenditure?—I will make inquiry upon that point.

Mr. *Goldney.*

175. With regard to the Fine Fund, will you explain what the system is with reference to the amount of salaries being voted net, instead of in gross, and carrying the amount of the fines to the credit of the Exchequer as extra receipts?—Perhaps I had better state what the Fine Fund is, and give a history of it. When a warder enters the public service, he comes there under the condition that if he commits any minor offence, he is liable to be fined for so doing, and the custom has always been, in fact it is the right of the warders, that the money paid in fines shall not be taken away entirely from them, but shall be expended for the benefit of the general body. Not only has that always been the custom, but it is obviously politic that that should be the case. Up to about the year 1864 or 1865, the practice was that the total salary that they were to draw was charged against the Vote, and provided for in the Estimates. Then the officers actually received the money, and they paid it over to a trust fund at the Bank, which was held by the governor and the chaplain and some other officers; therefore the expenditure of the money rested with those trustees under the authority of the directors, and the fund for each prison was appropriated to the officers of that prison. About the time I mentioned, it was thought advisable to relieve them of this responsibility, and the practice was adopted of not charging for the fines at all in the Estimates, and not drawing that money, making it entirely a book transaction, but taking a sum to compensate them under the head of "Compassionate Allowance" in the Estimate; therefore the total sum taken in the Estimate was the same, but it was taken under two different heads. It received the name of Compassionate Allowance, because the purposes for which this Fine Fund was appropriated were generally compassionate purposes. After a time the Audit Office, not knowing the history of this fund, looked upon it as a compassionate fund, purely, and without knowing whence it was derived, insisted that the purposes to which it was applied should be solely compassionate purposes; it was therefore thought desirable to make the nature of it more clear, and to remove that difficulty; consequently it was decided that it should not appear in the Estimates, under what was a misleading heading, and with the consent of the Treasury, it was charged then as a Fine Fund, but no difference was made in the practice that the money was not drawn under the head of salaries, but still remained in it as before. Not being drawn under the head of salaries, it of course was not estimated for under the head of salaries. The Audit Office now raise the question, inasmuch as it comes in a certain

Mr. *Goldney*—continued.

sense as a salary, it ought to be voted as salaries, and the amount of the fines should be paid into the Exchequer as extra receipts. But in point of fact it never is drawn as salary, and never received as such, therefore it cannot be so treated.

176. I gather that, in Western Australia, it is paid in that way?—Possibly it is so, because the establishment there was taken over into the charge of the Convict Department when it was in an expiring state, and therefore discrepancies may easily arise without their having been detected in time.

177. Is there not a conflict between the Home Office and the Treasury upon that point?—Not at all; the Home Office and the Treasury are quite in accord, but the Audit Office think that it ought to be estimated for under the head of Salaries, although it is never paid as salary, and that it ought then to be paid over to the Exchequer under the head of Extra Receipts, although it has never been received by the Exchequer.

178. (To Mr. *Welby.*) The Comptroller and Auditor General says, after mentioning, "A letter from the Home Office:" "It would appear that the Lords of the Treasury do not concur in the views of this department on this subject." It was from that that I gathered that the Home Office and the Treasury were not in accord?—By "this Department" is meant the Audit Office.

179. Then the Treasury do concur in the view which Colonel Du Cane has stated?—They concur with the Convict Department, and with the view which Colonel Du Cane has stated.

180. (Sir *Walter Barttelot.*) Would you concur with it, supposing the whole of the prisons came under the same regulation?—Certainly we should not think that any different mode of dealing with Western Australia was desirable.

181. I was speaking of Convict Prisons at the moment?—This system does apply to all the Home Convict Prisons.

182. The whole of the prisons are about to be placed under the Home Secretary, and the question I asked was, whether you would think that the right principle to be adopted with regard to the whole of the wardens throughout all the prisons in England?—The Treasury have adopted this rule as a matter of principle, and what would be good as a matter of principle for one prison would be good for 20. The Treasury would not change their minds on account of the number.

Chairman.

183. (To Colonel *Du Cane.*) The term "Fine Fund" appears to be rather misleading; these deductions are not really in the nature of a fine?—Yes, they are fines; they are deductions from the sums the officers are entitled to receive.

Mr. *Goldney.*

184. What I gathered from you was, that any fines which have been imposed are actually deducted from the warders' wages, and that the sum deducted goes into a fund which is not paid into the Exchequer, but kept for distribution among the warders?—It is a mere book transaction.

185. I understand

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Mason*, Mr. *Nicol*, Mr. *Ryder*, and Lieut. Col. *Du Cane*.

7 March 1877.

APPROPRIATION ACCOUNTS—Class III.

Vote 13—Convict Establishments in England and the Colonies—*continued*.

Mr. *W. H. Smith*.

185. I understand you to maintain that a sum is voted for the Service, and whether it is paid to A. or B. does not greatly matter as far as the House of Commons is concerned; either A. or B. will get it; either A. will get it wholly to himself or B. will get in another form the sum deducted from what A. would have received?—Yes, that is my view.

Chairman.

186. (To Mr. *Welby*.) Is it not the practice prevailing in most cases that a salary should be paid in full, and that any deductions arising from ill-health, or misconduct, or any other cause, should be paid into the Exchequer as extra receipts?—I do not know of any precedent, or indeed of any other cases like this at all.

Lord *Eslington*.

187. Does it not strike you as rather a remarkable principle that the whole body of the prison authorities should have an actual interest in an act of misconduct committed by any one of their body, and be benefited thereby; does not that require some consideration?—That is a matter of policy which may be called in question. In dealing with this particular method of accounting, we are accepting the fact that such deductions are contemplated and made. We are dealing with what I may call a bookkeeping question as to the mode of bringing those deductions to account.

188. (To Colonel *Du Cane*.) Does not the remarkable principle to which I have just called attention require some consideration?—It is much better that the body of persons connected with the prisons should have an interest in the matter than that the public should have an interest in fining them. The officers are much more likely to be contented if they know that if they suffer it is for the benefit of their comrades, than if they know that if they suffer it is for the benefit of the public.

189. Do you not think it is liable to create rather a demoralised feeling on the part of individuals, if they know that they will actually be benefited by their own acts of omission, or commission as the case may be, in consequence of a subsequent division of fines, for the delinquent himself may possibly come in for a share of a fine which is levied upon him?—The mode in which this fund is applied should be borne in mind; it is applied in this way: if an officer with a family falls ill, and prolonged illness deprived him of his pay, or if an officer dies and leaves his widow and children badly off, the fine fund is applied to the purpose of relieving them, and if these purposes do not absorb the whole of the fine fund, it is applied to some purpose which benefits the officers generally, such as buying things for their recreation-room, and so on. I can hardly conceive that an officer would commit offences in order that he should get a share of the fine.

Mr. *Seely*.

190. Who makes the order for payment?—It is made by the proposal of the governor on the approval of the directors.

APPROPRIATION ACCOUNTS—Class III.

Vote 13—Convict Establishments in England and the Colonies—*continued*.

Chairman.

191. (To Mr. *Ryan*.) Have you any further observations to make on this point?—I would only say that the Audit Office objection was one of principle with reference to the preparation of the Estimates, that they should show the gross cost of any service, and that any sum received in diminution should go into the Exchequer. It has now been explained that this sum derived from fines is not paid into the Exchequer. We were not quite aware of that; at the same time what the Audit Office contends for is the principle of gross votes.

Sir *Walter Barttelot*.

192. There might be a large amount of these fines in the hands of the authorities to be distributed without anyone, except those authorities, knowing anything about it?—No, I think not, because the fine fund is a limited sum; they cannot expend more than has been voted as a fine fund; it was, as you say, under the original system; there was a large accumulation then. In fact when we changed our system, we paid over to the Exchequer 455 *l.*, which was accumulated in the hands of these different authorities as trustees; now they hold nothing whatever. It is all in the hands of the Paymaster General, or rather it is not drawn. If it were voted under the head of Salaries, and also under the head of the Fine Fund, it would be voted twice over.

193. (To Mr. *Welby*.) Do you know of any other case where a gross sum is not voted?—I do not know of any similar case in the Civil Service. (Colonel *Du Cane*.) Fines for drunkenness in the Army afford a parallel; that money is accumulated I know for the benefit of the soldiers entirely.

Mr. *W. H. Smith*.

194. Parliament does not vote anything towards the fine fund for the Army?—No, but it is not voted twice. Fines in the Army are dealt with I think in the way we used to deal with them in our accounts.

Mr. *Seely*.

195. Will you tell us what manufactures are carried on in the manufacturing department from which there was a profit, I see, of 13,378 *l.* 14 *s.* 9 *d.* in the year 1875–76?—A great many things are manufactured, clothing, mats, shoes, and an immense number of things. I could not enumerate them; printing is done.

196. They are manufacturers of that class?—I could furnish you with a statement, but it would be a very long one. I cannot tell you all the articles off-hand.

Chairman.

197. With respect to Sub-head L., the Comptroller and Auditor General states that the amount should be 6,997 *l.* 2 *s.* 6 *d.*, instead of 6,996 *l.* 2 *s.* 6 *d.*; have you anything to say upon that?—I believe that was only some trifling mistake which had to be corrected afterwards in the transfers; it was a mistake in the accounts.

198. You do not object to the figure as stated by the Comptroller and Auditor General?—Not at all.

199. Would

APPROPRIATION ACCOUNTS—Class III.

Vote 13—Convict Establishments in England and the Colonies—*continued.*

Chairman—continued.

199. Would you say the same with respect to Sub-head N.?—Yes.

200. And also with respect to Sub-head Q.?—Yes, what the Comptroller and Auditor General says is quite right there.

201. You would agree also, I presume, that the sum of 500 *l.* should be charged to rent, instead of to incidental expenses?—Yes.

202. With respect to paragraph 10, the Comptroller and Auditor General says, "The amount assigned to this service in the Estimate is 19,300 *l.*, and not 18,500 *l.*, as stated in the account;" how came the wrong amount to be stated as the Estimate in the account?—These things are not dependent at all upon the Vote of Parliament; the system with regard to these grants is that this country pays two-thirds of the amount expended by the Colonial Government under those heads; therefore, although we take a certain sum in the Estimates, we cannot tell what we shall have to pay, because that entirely depends upon a Vote of the Colonial Legislature.

203. That is not the point. It is stated in the account that the sum voted was 800 *l.* less than it really was, that the Vote was 19,300 *l.*, and not as stated in the account, 18,500 *l.*?—That is accounted for by the Supplementary Vote of 800 *l.*

204. The Supplementary Vote has been included by the Comptroller and Auditor General and not by you?—Yes.

[Colonel *Du Cane* withdrew.

On Vote 18.

CRIMINAL PROCEEDINGS, SCOTLAND.

205. (To Mr. *Welby.*) The Comptroller and Auditor General observes that there is no Vote on the account or in the Estimate, stating that additions have been made to the salary of the Procurators Fiscal of Aberdeen, Greenock, and Wick, for "remuneration for their services in connection with inquiries and prosecutions under the Merchant Shipping Act," and that the sums so added are "included in the expenditure charged against Sub-head C. 1, Law Charges." I presume that a note will be appended to the account and also to the Estimates, stating this fact in future?—Yes.

Mr. *Goldney.*

206. That is the same point that arose with respect to the Greenwich Police Court, just now?—Yes.

Chairman.

207. (To Mr. *Ryan.*) Have you any observation to make?—The Accountant has informed us that he had no information as to the sums paid to the Procurators Fiscal, in addition to their salaries, but that in the Estimates for this year he has inserted them.

Mr. *W. H. Smith.*

208. (To Mr. *Welby.*) There is this distinction between this case and the former one, that a Procurator Fiscal is not a civil servant, and is not paid for his whole time; he is only paid to undertake certain services for the Crown?—Yes.

APPROPRIATION ACCOUNTS—Class III.—*cont^d.*

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Mason*, Mr. *Nicol*, Mr. *Ryder*, and Lieut. Col. *Du Cane.*

7 March 1877.

On Vote 22.

LAW CHARGES AND CRIMINAL PROSECUTIONS, IRELAND.

Lord *Eslington.*

209. (To Mr. *Ryan.*) With reference to Sub-Section H., "Expenses in connection with the Phœnix Park Riots of 1871," it appears that this is the fourth year in which an additional sub-head has been introduced for this service, the expenditure not having been provided for in the Estimates; can you tell us in the first place, why this expenditure was spread over so long a period?—Separate sub-heads were raised in the account year by year, in consequence of expenditure coming in which was not foreseen, and in this report a suggestion was made by the Comptroller and Auditor General, that if this expenditure is likely still to go on, it would be desirable to take a sum for it in the succeeding Estimates.

210. Does it appear in the Estimate for 1877-78?—It does not, and for this reason: I was about to read the answer of the Treasury to the remark which the Comptroller and Auditor General made to them previously. They state that, "As the future expenditure in respect of the Phœnix Park riots is so very uncertain, my Lords do not think it expedient to make special provision for it. The terms of Sub-head E. are really wide enough to cover such a service, and the reasons which have led to the expenditure being specified in past appropriation accounts, have no immediate connection with the principles on which an Estimate is ordinarily framed."

211. I was referring to Sub-head H.; that letter appears to apply to Sub-head E.?—The letter refers to the sub-head to which you were directing my attention.

On Vote 27.—COURT OF PROBATE, IRELAND.

Chairman.

212. Can you state whether the department acknowledges that the sum of 75 *l.*, mentioned in the first paragraph of the Report, was incorrectly charged?—Yes, I think I may say that they do; it has been charged now to the Vote for the subsequent year. It having been charged to a wrong year, we were obliged to report it.

On Vote 31.

DUBLIN METROPOLITAN POLICE.

213. With respect to the extra receipts, the Comptroller and Auditor General states, that "No reply has been received to a letter addressed to the Accountant, requesting to be furnished with an explanation of the somewhat large discrepany between the estimated and realised amounts of extra receipts"; has any answer yet been received?—Yes, I have the answer here. If the Committee would like to hear it, I can give the explanation.

214. Is it satisfactory?—Yes; it is satisfactory as far as it goes.

215. Will you put it in?—(*The same was handed in,* vide *Appendix*).

On Vote 32.—CONSTABULARY OF IRELAND.

216. It is stated, in the second paragraph of the Comptroller and Auditor General's Report,

Mr *Welby*, C.B., Mr. *Ryan*, Mr. *Mason*, Mr. *Nicol*, and Mr. *Ryder*.

7 March 1877.

APPROPRIATION ACCOUNTS—Class III.

Vote 32—Constabulary of Ireland—*continued.*

Chairman—continued.

that, "Under the following Sub-heads, charges are included for plain clothes furnished to constables detached on duties connected with the Contagious Diseases Act, 1866, which, in my opinion, were, equally with their extra pay and lodgings, which are paid by the War Department, defrayable from Army Votes, and should, accordingly, have been recovered from that department, pursuant to the 5th section of that Act"; how are similar charges dealt with in England?—The Act of Parliament requires that these expenses shall be defrayed out of Army Funds; that is the reason why we raised the question, this being civil expenditure.

217. I suppose similar expenditure occurs in connection with the police in England?—Yes; and I am almost certain that it is all defrayed from Army Votes.

218. (To Mr. *Welby*.) Do you see any reason why this charge should not be defrayed from the Army Votes?—I do not know of any reason; in fact, the Treasury have decided that it shall be paid out of Army Votes.

219. (To Mr. *Ryan*.) Has any reply been received to the letter which was addressed to the Accountant with respect to extra receipts?—Yes; I have the reply here.

220. Will you put it in?—(*The same was delivered in,* vide *Appendix*).

On Vote 34.

COUNTY PRISONS AND REFORMATORIES, IRELAND.

221. (To Mr. *Welby*.) With respect to a sum of "205 *l.* 1 *s.* 5 *d.*, paid, under Treasury authority, to the local inspector of Kilmainham Gaol, for the maintenance, &c., of debtors confined in that prison," the Comptroller and Auditor General states that it should have been placed under another Sub-head, as the expenditure under this sub-head (Sub-head C.), is described to be for the maintenance of prisoners "Convicted at

APPROPRIATION ACCOUNTS—Class III.

Vote 34—County Prisons and Reformatories, Ireland—*continued.*

Chairman—continued.

Assizes or Quarter Sessions, or under the Criminal Justice Act"; have you anything to say with respect to that?—No, it was brought before the Treasury, and that head being recommended, they charged it to that head.

222. It would be more correct, I suppose, to have it under another sub-head?—I think whenever there is a case of doubt as to whether a charge falls under a particular sub-head or not, it is always the safer and wiser plan to state it separately.

223. A debtor cannot be considered as a prisoner convicted at Assizes or Quarter Sessions?—Certainly not.

On Vote 36.

MISCELLANEOUS LEGAL CHARGES, IRELAND.

Mr. *Goldney*.

224. (To Mr. *Ryan*.) A question arises here upon a foot note with regard to Mr. Elrington's payment; is he a judge?—He is the Judge of the Civil Bills Court. His main salary is charged to the Consolidated Fund as Judge of that Court, and he receives this other payment as well.

225. But there is no foot note to indicate that?—No; in every case in which it came to our knowledge, on the examination of the account, that sums had been received by an officer from other sources, or in other modes, in connection with the Public Service, we thought it desirable to notice the fact in order that the recommendation of the Committee last year might be carried out.

226. Under vote 22 there is no such foot note?—No; where there are notes either upon the account of any Vote or upon the Estimates, we have not noticed it, because the recommendation of the Committee would not apply in those cases.

CLASS IV.

On Vote 1.—PUBLIC EDUCATION, ENGLAND AND WALES.

Sir FRANCIS SANDFORD, C.B., called in; and Examined.

Chairman.

Sir F. *Sandford*, C.B.

227. (To Mr. *Welby*.) WITH respect to the second paragraph of the Comptroller and Auditor General's Report, in which he states that a gratuity of 500 *l.* paid to the Secretary of the Education Department for services rendered to the Science and Art Department should, in his opinion, have been charged to the Vote for the Science and Art Department; do you agree in that opinion?—It seems to me to be somewhat at variance with the opinion of the Comptroller and Auditor General upon the Foreign Office Vote, because, as I understand the Comptroller and Auditor General there, he recommended that the two sums should be brought together. Now, in this case, the salary of the Secretary of

Chairman—continued.

the Education Department and the gratuity appear together.

228. (To Mr. *Ryan*.) Have you any further observation to make upon this?—Nothing further beyond what is stated in this correspondence.

229. (To Sir *Francis Sandford*.) With respect to Sub-head C., it is stated by the Comptroller and Auditor General that a payment of one guinea has been made to an inspector of schools "who had not complied with the terms of the Treasury Letter of the 10th of January 1872 by remaining until the examination was completed;" can you give any explanation with respect to that payment?—The money has been refunded.

We

APPROPRIATION ACCOUNTS—Class IV.

Vote 1—Public Education, England and Wales —*continued.*

Chairman—continued.

We thought we should have the Treasury sanction under the circumstances under which the payment was made, but when we asked for that sanction, it was refused. I think it was a hard case.

230. With respect to grants to uninspected schools, arrangements have been made for the future in accordance with the recommendation of this Committee last year?—Yes; and we had the sanction of the Treasury last year.

231. Then in respect to an extended audit of the accounts of the Education Department, it appears that there has been a correspondence between the various departments concerned, and the last letter from the Education Department states, "The correspondence referred to, and a recent letter from the Treasury on the subject have been submitted to the head of the department whose decision has not yet been communicated to me;" has any decision yet been arrived at?—Since then an arrangement has been made by which, when we obtain a room from the Treasury in which to seat the officers of the Exchequer and Audit Department, they will come and examine our accounts more in detail than they have hitherto done.

232. Do you say that that is to be when a room is obtained from the Treasury?—When the Treasury have shown us how we can seat them in our office.

Mr. *Hankey.*

233. It is a question of accommodation; you have no accommodation for them at present?—

APPROPRIATION ACCOUNTS—Class IV.

Vote 1—Public Education, England and Wales —*continued.*

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Mason*, Mr. *Nicol*, Mr. *Ryder*, and Sir *F. Sandford*, C.B.

7 March 1877.

Mr. *Hankey*—continued.

Our rooms are very crowded, and we have said that we really do not know where to place these gentlemen.

Chairman.

234. (To Mr. *Welby.*) I see that a letter upon this subject from the Exchequer and Audit Department, dated 8th February of last year, received no answer from the Treasury until the 26th of December; can you state what was the cause of that long delay?—I think a good deal of it was owing to that very cause which Sir Francis Sandford has referred to. There was considerable negotiation going on between the departments during that time, and one of the chief reasons brought forward by the Education Department as a cause of delay, at all events, was the want of room. That and other objections connected with the proposed extended Audit were for a long time under discussion between the two departments, and the result of that discussion was only embodied in this letter of December last.

235. (To Sir *Francis Sandford.*) Have you any anticipation that a satisfactory arrangement will be come to within a comparatively short period?—Yes, I hope so. The letter in which we stated our objections is referred to in this correspondence, but is not printed.

236. (To Mr. *Welby.*) The question of principle is now agreed upon between the Treasury and the Audit Office?—Yes.

[Sir *Francis Sandford* withdrew.

On Vote II.—SCIENCE AND ART DEPARTMENT FOR THE UNITED KINGDOM.

Mr. NORMAN MACLEOD, called in; and Examined.

Chairman.

237. (To Mr. *MacLeod.*) WITH respect to paragraph 2 of the Comptroller and Auditor General's Report, in which he mentions various extra payments made to officers of the Science and Art Department, to which no reference is made in the Appropriation Account, had you not received a circular from the Treasury with respect to such extra remunerations?—Certainly.

238. Why was no such note made in this case?—In reference to the first of these officers, the Instructor in Decorative Art, the payment was for a purchase of Drawings with Treasury sanction, and not a personal remuneration. In the case of the second, the Assistant Naturalist, the sum appears in the Estimates for 1877-78, having been paid after the Estimates for 1876-77 went in. The same statement will apply to the fourth case, the payment to the "Assistant Keeper of Mining Records for preparation of Specimens;" the item 6 *l.* 18 *s.* 6 *d.* appears in the Estimate for 1877-78. With regard to the payment of 5 *l.* 14 *s.* 4 *d.* to a labourer at the Botanic Gardens, Dublin, that expenditure was incurred for writing labels, and he being an ordinary labourer it was not considered necessary to append a foot-note.

239. With regard to payments to salaried or superannuated officers of the Crown, what ex-

Chairman—continued.

planation have you to give?—I did not understand that it was intended we should append foot notes with regard to small casual payments to officers in other departments out of a large sub-head, conceiving that the other departments would themselves put in notes with reference to all payments received by their officers from us.

Mr. *MacLeod.*

240. I think the recommendation of this Committee was that they should be put in both places; however, for the future you will have no difficulty in appending the note required by the Treasury in all cases?—I think there is this difficulty: under the head of "Preparation of Papers," for example, we employ distinguished scientific persons to prepare examination papers, and perhaps there might be 20 persons so employed. It would occupy a large space in the Estimates if we placed a note stating what sum had been paid to each of those individuals.

Mr. *Hankey.*

241. (To Mr. *Welby.*) Is not that at variance with the Treasury instructions?—Upon the question of appending a note upon the appropriation account of any payments out of the Vote, to officers belonging to other Government departments, I certainly think the idea of the Treasury was that, as far as possible, a department should

state

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Mason*, Mr. *Nicol*, Mr. *Ryder*, and Mr. *MacLeod*.

7 March 1877.

APPROPRIATION ACCOUNTS—Class IV.

Vote 2—Science and Art Department for the United Kingdom—*continued.*

Mr. *Hankey*—continued.

state the payments it had made to such officers. I can quite understand that there may be difficulties in carrying out that rule, and as those difficulties arise, I think they ought to be decided.

Chairman.

242. (To Mr. *MacLeod.*) Would it not be easier for your department to provide this information, than for the Paymaster General, for instance, to give it in connection with the Vote for Superannuation?—I bow, of course, to whatever the Committee may decide, and if they wish that every payment made to every officer, whether he is an officer of our department or an officer of some other department, should be stated either in the Appropriation Account or in the Estimates; it can, of course, be done.

Mr. *Hankey.*

243. It would only need to be stated in one sum?—But they would be payments to a number of persons.

Mr. *W. H. Smith.*

244. This charge of 421 *l.* 9 *s.* for the preparation of papers, and the charge of 600 *l.* 13 *s.* 4 *d.* for inspection and examination, would divide themselves probably into 30 or 40 items?—They would be payments to a considerable number of persons.

Mr. *Goldney.*

245. And those persons are not necessarily officers of the Science and Art Department?—There are none of them officers of the Science and Art Department.

Mr. *W. H. Smith.*

246. They are or have been persons enjoying either salaries, compensations, or superannuation allowances?—Yes.

Mr. *Hankey.*

247. Are the persons you employ necessarily so?—Not necessarily, but these particular persons were so.

Mr. *W. H. Smith.*

248. Out of the total amount paid for the preparation of papers, and for inspection and examination, amounting together to about 19,000 *l.*, 1,022 2 *s.* 4 *d.* has been paid to salaried or superannuated officers of the Crown?—Yes, out of those who are so employed there are a number who are not officers of the Crown, present or past, and there are a number who are.

Mr. *Goldney.*

249. Then those persons to whom this sum of 421 *l.* 9 *s.* was paid are not all officers of the Crown?—Yes, they are; this is only a part of the whole sum that was paid for such work.

Chairman.

250. The Comptroller and Auditor General states that, "Various payments have been made during the period of the account for expenses incurred in connection with the Exhibition of Scientific Apparatus at South Kensington. As no Vote appears to have been taken for this

APPROPRIATION ACCOUNTS—Class IV.

Vote 2—Science and Art Department for the United Kingdom—*continued.*

Chairman—continued.

service, I am of opinion that such charges should have formed items of a separate sub-head." Under what sub-head has this expenditure been charged?—Under Sub-heads, C. 10, C. 11, D. 2, D. 3, D. 4, D. 5, and E. 3.

251. There would, I presume, have been no difficulty in stating those items under a separate sub-head?—The expenditure for that particular exhibition will be stated each year under those sub-heads.

252. Under the same sub-heads as in this account?—Under the sub-heads I have named in this account.

253. But then there will be no means of ascertaining what is the separate expense of this exhibition?—No, not on the Estimates.

254. Is this exhibition to be continued; I thought it was only temporary?—It is only temporary. It was commenced like any other loan exhibition, as part of the ordinary work of the department; such, for instance, as the special exhibitions of jewellery, fans, miniatures, and many others held in different years; but it ultimately assumed larger proportions than it was expected at first to be likely to assume.

255. And it has never been the custom of your department to include all the expenditure of those exhibitions under one sub-head?—Never.

256. There would be no difficulty, I presume, in giving an account showing the expenditure on this exhibition?—None whatever. I should, however, perhaps, say that a small part only of the expenditure is applicable to the Accounts for 1875-6. The greater part will appear in the Accounts for 1876-7, and as a number of objects have not yet been returned, there are still some payments to be made for carriage.

257. Will you furnish such an account to the Committee?—I will.

[Mr. *MacLeod* withdrew.

On Vote 4.—NATIONAL GALLERY.

258. (To Mr. *Ryan.*) There has been a correspondence between the Exchequer and Audit Department and the Treasury with regard to the "Lewis" Fund; have you any further observations to make with respect to that?—No; we are quite satisfied that it should remain as decided by the Treasury, after consultation. Our object was merely to raise the question.

On Vote 3.—BRITISH MUSEUM.

Mr. *W. H. Smith.*

259. Have you any observation to make with regard to paragraph 2 of the Report?—A statement is made there that, "Under this sub-head, a sum of 1,705 *l.* is included, the amount of a Supplementary Estimate presented to Parliament on the 13th July for the purpose of making purchases of prints and drawings at the Galichon sale. Of this grant a total of 1,581 *l.* 18 *s.* 2 *d.* was so expended, and the balance has been applied to the general purposes of this sub-head." I extremely regret to say that this is an erroneous statement of ours. Owing to an oversight,

we

APPROPRIATION ACCOUNTS—Class IV.

Vote 3—British Museum—*continued.*

Mr. *W. H. Smith*—continued.

we did not perceive that there were two agents acting for the British Museum at the Galichon sale. We took the bill of one agent, and omitted to take the bill of the second agent; that second bill makes up the sum total of 1,705 *l.* We have consequently made a mis-statement here, but it was merely put in as an observation; it was not intended to imply any charge at all against the British Museum.

260. (To Mr. *Welby.*) Have you anything to say upon this point?—A letter has been addressed to the Treasury from the British Museum with the request that it may be communicated to the Public Accounts Committee. Perhaps I may be allowed to put it in, together with the correspondence connected with it. (*The same was handed in*, vide *Appendix.*)

261. Mr. Ryan's answer completely explains the matter?—Entirely. (Mr. *Ryan.*) As the letter from the British Museum is put in, perhaps I may be allowed to refer to the last part of it. It states that we ought to have communicated with the department before charging them with applying money, which had been voted to one purpose, to a different purpose. We had no intention of making any charge of the kind; it was a mere statement of a fact. Nor can we admit that the language employed would naturally lead to the inference which the Trustees have drawn from it.

On Vote 12.—PUBLIC EDUCATION, IRELAND.

Chairman.

262. It appears that a Supplementary Vote of 180,000 *l.* which was taken only for one sub-head has been applied to two?—Yes. What the Accountant has done, is this: he has transposed the heads of his Estimate to fit his account, which of course he had no business to do.

263. He has divided that sum between two sub-heads?—Yes; it was granted for one particular sub-head, but he has altered the Estimate to meet the expenditure.

264. He has not altered the total amount?—No, it is simply a transposition.

On Vote 16.

THE QUEEN'S UNIVERSITY IN IRELAND.

265. The Comptroller and Auditor General states that, "the Treasury authority which it is the duty of the accounting officer to obtain for applying the savings on certain sub-heads to the excess of expenditure on the other sub-heads of the Grant, has not in the present instance been transmitted to me;" has it yet been received?—No, it has not.

APPROPRIATION ACCOUNTS—Class IV.

Vote 16—The Queen's University in Ireland—*continued.*

Chairman—continued.

266. (To Mr. *Welby.*) Can you state whether the authority has been given by the Treasury?—I cannot find that an application has been made for the authority. Probably the most convenient course will be for the Treasury to communicate with the Accountant before the Committee meet again.

CLASS V.

On Vote 1.—DIPLOMATIC SERVICES.

267. (To Mr. *Alston.*) The Comptroller and Auditor General remarks that under Sub-head N., "are included certain charges for works and repairs done in Persia, which would seem to me to be more properly defrayed out of the Votes taken under Class I. by the Chief Commissioner of Works;" the provision for these charges is to be made in future under that Vote, I believe?—It is.

On Vote 3.

GRANTS IN AID OF EXPENDITURE IN CERTAIN COLONIES.

268. (To Mr. *Welby.*) There has been an excess on Sub-head M., which is for passages of governors and other colonial officers; I presume that those allowances are all made according to certain rules?—I presume so.

Mr. *Goldney.*

269. There appears to have been a large amount of extra receipts realised in the year, but the estimated amount of those extra receipts was nil?—It could not be estimated for, because the repayments depended upon the financial condition of the colonies.

270. When will the remainder be paid in?—It has all been paid in already.

On Vote 6.

TONNAGE BOUNTIES, &c., AND LIBERATED AFRICAN DEPARTMENT.

Chairman.

271. The Comptroller and Auditor General remarks that a new sub-head has been introduced (Sub-head L.) for the "Amount required to make good a theft believed to have been committed by part of the crew of Her Majesty's ship 'Wolverene,' in searching a dhow suspected of being engaged in the slave trade." Can you state whether the author of the theft has been discovered, or whether any attempt has been made to recover the sum?—This rather relates to the navy; I will make inquiry on the subject.

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Mason*, Mr. *Nicol*, and Mr. *Ryder*.

7 March 1877.

REVENUE DEPARTMENT ACCOUNTS.

On Vote 2.—INLAND REVENUE.

Mr. WILLIAM COCKELL, called in; and Examined.

Chairman.

Mr. *Cockell.*

272. (To Mr. *Cockell.*) With respect to the employment of certain clerks unregistered by the Civil Service Commissioners, the Comptroller and Auditor General states that the approval of the Lords of the Treasury should have been obtained, and it further appears that the subject was at the date of the report under the consideration of the Board of Inland Revenue; has anything further occurred with respect to those clerks?—The Lords of the Treasury have given their sanction to placing these situations in Schedule B. of the Order in Council, and a notification to that effect has been inserted in the Gazette.

Chairman—continued.

273. Have you any explanation to offer with respect to the messenger employed in the office of the Collector at Glasgow, who had not obtained a certificate of qualification from the Civil Service Commissioners?—The Board admit that the messenger should have obtained a certificate from the Civil Service Commissioners, and they have given directions for his examination, which is to take place on the 13th of this month.

[Mr. *Cockell* withdrew.

NAVY APPROPRIATION ACCOUNT.

Mr. HENRY WILLIAM ROUTLEDGE WALKER and Mr. GEORGE M. EDWARDS, called in; and Examined.

Chairman.

Mr. *Walker* and Mr. *Edwards.*

274. (To Mr. *Walker.*) THE Committee of Public Accounts last year called attention to a series of deficits on the Navy Estimates; I observe that there is again this year a deficit, although the amount is smaller?—Very much smaller; 63,000 *l.* as against 250,000 *l.* I should like to hand in a paper containing the Report which is referred to in Mr. Egerton's letter in the attached correspondence on page 8, which would give an entire historical statement of the fluctuations in the Expenditure included in the Navy Estimates for 1875-76. I will not occupy your time by reading it, but will put it in if it is agreeable to you. Independently of the special explanations which appear on the face of the account, this paper gives a history of the inevitable fluctuations which take place. With respect to the year now under consideration, we have never paid a single claim under the head of "Stores" in anticipation of goods being delivered and approved of, and the claims sent in by the contractors. Under these circumstances, had we withheld the payment, whatever might have been the general issue upon the Estimates, having the money in hand, we conceived that we should not have discharged our duty to the contractors. If you look all round you will see considerable surpluses where in previous years we have had a very large excess, and I know that the attention of the Committee has been drawn to the fact that we have exceeded our liabilities by apparently forcing on payments rather than waiting to meet them when the claims came in.

275. Although the deficit is smaller this year, you cannot consider an account which shows a deficit entirely satisfactory?—I should like to repeat the statement made by the Chancellor of the Exchequer when a remark of that kind was made in the House of Commons in the course of the last few weeks. Attention having been drawn to the fact of Supplementary Estimates being disagreeable, he made this observation: "You must anticipate Supplementary Estimates, unless the House of Commons will allow a margin of cash between Estimate and Expenditure." He observed that the latter course might be thought rather to foster extravagance than afford a check, and therefore that Estimates in excess might be less objectionable.

Chairman—continued.

276. You do not consider Supplementary Estimates more objectionable than an excess?—No; but I think if you look through this account you will find that in cases where the various Votes show an excess they embrace expenditure that was unknown to the department within the period during which we could have asked for a Supplementary Estimate.

277. Is there not a danger that, as long as you are satisfied with the account showing a deficit, you will not make any very strenuous effort to prevent its again occurring?—I think, if you will allow me to put in the Paper I refer to, that will answer the question. I may mention, in passing, that it was in January 1876, that the present First Lord of the Admiralty issued his memorandum defining the relations of the Financial Department of the Admiralty with the Spending Departments; and I venture to hope that, in the present year, with that discretionary power vested in the Finance Officer, these casualties may to a great extent be avoided, but I cannot conceal from myself the fact that, spending as we do, ten millions of money, five millions of which are spent all over the world, and under circumstances like those attending the visit of the Prince of Wales to India, there will necessarily be disturbing causes.

278.—You conceive that the Expenditure was not made known to you under circumstances which would have enabled you to provide for it by a Supplementary Estimate?—Exactly so. (*The report produced by Mr. Walker was handed in,* vide *Appendix.*)

Chairman.

279. The Comptroller and Auditor General calls

NAVY APPROPRIATION ACCOUNT—*continued.*

Chairman—continued.

calls attention to two sums of 588 *l.* 7 *s.* and 108 *l.* 12 *s.* not properly vouched for, in consequence of the defalcation of the Assistant Paymaster of Her Majesty's ship "Seagull"?—Yes.

280. If these two sums of 588 *l.* 7 *s.* and 108 *l.* 12 *s.* had not been charged against Vote 2, they would have had to be charged against "Irrecoverable Balances," would they not?—Certainly; but we have only had to charge 414 *l.* 3 *s.* 7 *d.* against "Irrecoverable Balances," and that was done with the sanction of the Treasury.

Lord *Eslington.*

281. The Comptroller and Auditor General speaks of the absence of certain vouchers in respect of savings of provisions?—Yes.

282. Who is responsible for the production of those vouchers?—The Paymaster, and he was a defaulter altogether. We are able to construct a charge for those savings from what is termed the Store Accounts of the ship, from which we were able to say that there was evidence that those stores had been issued.

Chairman.

283. With respect to the sum of 10 guineas received on account of the sale of hides at the Island of Ascension, the Comptroller and Auditor General states that the Admiralty were in expectation of receiving further information?—Yes.

284. Has that information been received?—We have received a letter from Commodore Hewitt, who has been very much away from the place at the Cape and attending to other executive duties, and he says that he has not yet been able to investigate the conditions of that Island Fund Account, which is a very peculiar one, and requires great consideration.

Mr. *W. H. Smith.*

285. I see that in applying to the Treasury for authority to charge this sum of 414 *l.* 3 *s.* 7 *d.* against "Balances Irrecoverable," the Admiralty undertook "that the particulars of the defalcation, with the name and rank of the officer, in this and in every other case of the kind, are made the subject of a return to be annually laid before Parliament;" has that return ever been made?—Not in this particular case.

286. When will it be made?—That is prospective with regard to all cases occurring after that letter.

287. But in this particular case it was undertaken that that Return should be made; that was a condition upon which you obtained the authority of the Treasury?—I am reminded by the Book Keeper that the Secretary of the Admiralty stated that to go into the defalcation with that particularity would be considered illegal; and therefore that the information should be conveyed in more general terms.

288. But this is a distinct undertaking in a letter signed by the Secretary to the Admiralty that it should be done. The letter states; "I have received and laid before my Lords Commissioners of the Admiralty your letter of the 23rd ultimo, on the subject of certain deficiencies in the cash accounts of Mr. Thomas Evatt, late assistant paymaster, in which you state that you are directed

NAVY APPROPRIATION ACCOUNT—*continued.*

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Mason*, Mr. *Nicol*, Mr. *Ryder*, Mr. *Walker*, and Mr *Edwards.*

7 March 1877.

Mr. *W. H. Smith*—continued.

by the Lords Commissioners of Her Majesty's Treasury to request to be informed whether it would be possible to prosecute Mr. Evatt criminally on account of these deficiencies, and further, that their Lordships of the Treasury will consent to the total amount of 414 *l.* 3 *s.* 7 *d.* being written off as irrecoverable, provided that the particulars of the defalcation, with the name and rank of the officer, in this and every other case of the kind, are made the subject of a Return to be annually laid before Parliament. I am commanded by their Lordships to acquaint you for the information of the Lords Commissioners of Her Majesty's Treasury that they are satisfied that the deficiency shown in Mr. Evatt's cash account was not owing to any fraudulent act or acts of his, but solely to neglect; Mr. Evatt was for many months prior to his being invalided from Her Majesty's ship "Seagull," in a very bad state of health, suffering from a disease which unfitted him for much duty, and was without trustworthy assistance, and he was for nearly a twelvemonth a prisoner on board the flagship at Portsmouth waiting decision on his case, whilst inquiries were being pursued on a distant station where his former ship then was. In consideration of these circumstances my Lords informed him that he would not be tried by court martial; he is out of Her Majesty's service and his address is not known. My Lords will give the necessary directions for the preparation of the Return called for in the last paragraph of your letter." The condition, therefore, on which this has been sanctioned by the Treasury, has not yet been complied with?—No.

289. Why has it not been complied with?—I was not aware of the contents of that letter; I never heard of it.

290. Will you undertake that it shall be complied with?—Yes, certainly; the first case that I ever knew at all connected with that undertaking, was the case of a paymaster of Marines at Plymouth.

291. The Treasury wrote thus to the Admiralty on the 23rd November, in the letter to which that which I have just read was the answer, "My Lords will consent to the total amount of 414 *l.* 3 *s.* 7 *d.* being written off as 'Irrecoverable' in this case, on the condition that the particulars of the defalcation with the name and rank of the officer in this and in every other case of the kind, are made the subject of a return to be annually laid before Parliament"?—That clearly refers to this case of Mr. Evatt.

Chairman.

292. With respect to the balance sheet, the Comptroller and Auditor General suggested that a credit balance of 4,672 *l.* 14 *s.* 10 *d.* for bills drawn by accounting officers not presented for payment, and which have been outstanding for more than six years, should be paid over to the Exchequer?—Yes.

293. And in a letter of the 30th of January, the Admiralty consent to that, "provided that the Lords Commissioners of the Treasury approve of this course being adopted, and on the understanding that, should any of the bills be presented, the applications for payment are to be referred to the Treasury for settlement"; has such an approval been given by the Treasury?—I think

Mr. *Welby*, C.B., Mr. *Ryan*, Mr *Mason*, Mr. *Nicol*, Mr. *Ryder*, Mr. *Walker*, and Mr. *Edwards*.

7 March 1877.

NAVY APPROPRIATION ACCOUNT—*continued*.

Chairman—continued.

not; I asked the particulars this morning, and I believe we have not received the approval of the Treasury at present. The Admiralty wrote to the Treasury to inquire whether they had any objection to its being paid over, and I believe that we have not had their answer hitherto.

294. (To Mr. *Welby*.) Can you state whether the Treasury has approved of this being done?—Yes, I think the approval has been sent to the Admiralty.

295. (To Mr. *Walker*.) Then that sum will be paid over?—Certainly; we shall take steps to pay it over at once.

Lord *Eslington*.

296. I observe that these credit balances have accrued in a very great lapse of time?—Yes.

297. Will it in future be necessary to allow them to run over such a long period?—No.

298. You will have a more prompt settlement in future?—Certainly. This is a relic of the old system.

Chairman.

299. On page 7, in Letter D., there is an account given of cash accounts received and not examined?—Yes.

300. I should like to inquire with respect to two or three of them what caused the delay; for instance, in the case of the "Rent of Netley Lodge;" what caused the delay there?—That merely arose from the War Office not sending it in earlier.

301. Then that was an oversight on the part of the War Office?—I would not say that. The fact is what I have stated.

302. Then in the case of clothing issued to Royal Marines, was there any difficulty in sending in that account?—I do not know; it did not come in. This happens invariably year after year. In large departments you must have little irregularities of that kind, but the amount is very small.

303. Surely it is desirable that these irregularities should be as small as possible?—I think so; it would be very desirable if we could approach to radical perfection, and have none at all.

304. In the case of ships on distant service, it is inevitable, but in the case of expenditure at home, I should have thought that six months' law would have been sufficient?—It should not occur in those cases. In the case of clothing we spend about 50,000 *l.* a year, and you will see what a small sum this is in proportion to that.

305. "Lock Ward, Sheerness;" there is no reason for a delay of more than six months after the close of the financial year, before a claim of that kind is sent in?—No.

On Vote 2.

306. It is stated with regard to Sub-head I. that the deficit has arisen from the "free kit to boys granted in the year 1874-75 not having been provided for in the Estimates for 1875-76, amounting to about 15,000 *l.*"; what was the cause of that omission?—I think the First Lord explained that to the House in bringing forward the Estimates. By some misconception two departments, each fancying that the other was going to provide for it, both omitted it.

NAVY APPROPRIATION ACCOUNT—*continued*.

Mr. *W. H. Smith*.

307. And they only found it out when the bill came in?—Yes.

On Vote 6.

Chairman.

308. On page 21 the deficit on Sub-head E. is explained in this way, that "the sum of 9,000 *l.* was allowed by Treasury Letter of the 8th February 1876 to be expended in the wages of additional men employed, viz., 5,000 *l.* at Chatham to advance in the most economical manner the ships building in the yard, and 4,000 *l.* at Portsmouth to advance the 'Inflexible,' to enable her to be launched by a particular date, and to obviate the discharge of a number of good men whose services would be required again immediately after the close of the financial year. The provision in the Supplementary Estimate for the Wages of Men at Portsmouth in preparing the 'Serapis' and 'Osborne' for the visit of the Prince of Wales to India was insufficient, and was exceeded by somewhat over 5,000 *l.*" Was that additional expenditure upon those two vessels, the "Serapis" and the "Osborne," not known at the time when application was made to the Treasury to sanction the further expenditure?—It was not.

309. Could it not have been known then?—No, I think not.

310. The ships had gone to sea a long time before that, had they not. The ships left for India in the autumn of 1875?—I think, so far as my memory serves me, that at that time the collective excess cost of the Prince of Wales' visit to India was not known, and it was rather contemplated that a Supplementary Estimate should be framed for the entirety of the amount when it became known. There was a reason entertained at the Admiralty for not applying for a partial sanction from the Treasury for this cost.

311. Would it not have been desirable, when you were making application to the Treasury for leave to spend a further sum under this Vote, that the Treasury should have been informed of any additional expenditure which was contemplated in connection with it?—It was not considered so at the time.

312. It must have been known at the Admiralty at that time that there would be a considerable over-expenditure in connection with those vessels?—Yes; I think if you take the transaction as beginning and ending with the 5,000 *l.*, it might have formed the subject of an application to the Treasury like the other amount, the 9,000 *l.*, but there were other considerations connected with it.

313. With respect to the deficit under Sub-head O., I presume you would say that that was necessary, as it arose out of expenditure in foreign dockyards?—Yes; it is a matter of policy, instead of sending ships home, to repair them economically abroad; and whilst on this particular head there may be an excess, you get a more than corresponding advantage under other sub-heads of the Estimates.

314. When you were making this application to the Treasury for an additional expenditure to the extent of 9,000 *l.*, you had no reason to believe that there was going to be a general deficit on the Navy Votes?—No; because we are

NAVY APPROPRIATION ACCOUNT—*continued.*

Chairman—continued.

are only privileged to make application to the Treasury to meet an excess, under the idea that we can meet it out of a surplus on some other Vote.

Mr. *W. H. Smith.*

315. In point of fact, you had no knowledge of a deficit at all?—No; we rather anticipated the result being quite otherwise, as our letters show.

Chairman.

316. (To Mr. *Welby.*) In a letter printed on page 58, the Admiralty, by their Secretary, inquire of the Treasury, "as to which department should be charged with the duty of maintaining the required depth of water off the Trinity Pier at Cowes, and how the cost of the necessary work should be provided"; has the Treasury arrived at any decision with respect to that question?—Yes. Subsequently to that there was a letter written by the Treasury, on the 16th of August, in reply to the letter of the Admiralty, in which this question is put, printed in the correspondence on page 58. Perhaps the Committee would like to hear the letter which we wrote to the Admiralty on the subject: "In the circumstances represented in the letter under reply, it appears to my Lords that due provision should be made annually in the Navy Estimates for providing for the security of Her Majesty's yacht, until a properly constituted local board may be appointed, to which the service may be transferred."

317. Then henceforth we shall not find this expenditure constantly occurring without any department having taken means to provide the necessary funds?—I understand from that that until an arrangement can be made with a local authority, the expense will be defrayed under due authority out of the Admiralty Estimates.

On Vote 14.

318. (To Mr. *Walker.*) Turning to page 66, there appear to be excesses on nearly all the sub-heads of this Vote; could not many of these have been foreseen in time for a Supplementary Estimate?—I think not. The Admiralty has addressed a letter to the Treasury, going fully into the circumstances of every item of divergence upon that Vote with reference to the question put to us by the Treasury whether we could have foreseen it. We have stated that where any speciality was likely to occur we did provide for it; but, failing that, we fell back upon the usual practice of taking the average of three years, omitting any exceptional causes for or against.

319. The deficit bears a large proportion to the amount of the whole Vote, the Vote being for 156,000 *l.*, and the deficit amounting to more than 47,000 *l.*?—Of that deficit 20,000 *l.* arises under Sub-head C. for "Passages," and an explanation of that is given in the accounts. That expenditure could not have been foreseen at the time we framed the Estimates. We took an average of the cost during the last three years, and that came to rather less than the sum we put down, 63,000 *l.*, and yet the abnormal expenditure arising from the circumstances stated in the explanatory note, left us with a deficit of 20,000 *l.* The excess on Sub-head Q. is accounted for by the fact that it was anticipated that the

NAVY APPROPRIATION ACCOUNT—*continued.*

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Mason*, Mr. *Nicol*, Mr. *Ryder*, Mr. *Walker*, and Mr. *Edwards.*

7 March 1877.

Chairman—continued.

labours of several important Committees would have been terminated before the end of the previous financial year, but that did not prove to be the case.

320. The deficit on Sub-head Z, "Miscellaneous Payments and Allowances," is explained as having arisen principally from expenses attendant on the Prince of Wales' visit to India?—Yes.

Mr. *W. H. Smith.*

321. Is it not the fact that this Vote has been exceeded almost every year?—Yes.

322. That is not satisfactory?—No, it is not.

Mr. *Hankey.*

323. How do you account for that if you have framed your Estimates upon an average?—We have taken the average, but it has fallen in these cases below the actual expenditure. The average is increasing year by year, but as we proceed upon an average we shall come nearer to the mark.

324. Then you have some hope that you will arrive at that very satisfactory state of things which is pointed to by the Comptroller and Auditor General?—We have always felt reluctant to give too great a pull upon the contingent Vote; we put it down as low as we can; we hope that the average will bring out our Estimates about right.

325. I see that your Miscellaneous Vote this year is less by 5,000 *l.* than it was last year. It was 135,000 *l.* last year, and this year it is 130,000 *l.*?—Yes.

326. You have no reason to believe that this Vote will be exceeded?—I have not. The amount was very carefully considered by the Board of Admiralty at the time of framing the Estimate. They admitted the averages I put before them, but from their information, which I had no right or wish to gainsay, they considered that a certain diminution might be made.

327. Has this sum of 130,000 *l.* been arrived at on the average of the last three years?—Yes.

328. Upon the Votes or upon the Expenditure?—In no case do the Board of Admiralty dispute the principle of average, but from their own information, as members of the Board, and upon the facts of the case, they agreed in this instance to a certain reduction.

Mr. *Hankey.*

329. Is the Account of the Prince of Wales' Expedition yet closed?—Yes.

Lord *Eslington.*

330. According to your statement, guided by the experience of recent years, you have swelled the amount taken by a system of average this year; is that so?—Quite so.

On Vote 16.

Chairman.

331. I see on page 70 that there is an excess on Sub-head M, of 25,350 *l.* 2 *s.* 5 *d.*?—Yes.

332. That is said to arise "from the Estimate having proved insufficient to meet the growing expenditure at the high rates of pensions now becoming due, owing to the fuller operation of the Continuous Service Regulations"?—Yes.

333. Could not the operation of the Continu-

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Mason*, Mr. *Nicol*, Mr. *Ryder*, Mr. *Walker*, and Mr. *Edwards*.

7 March 1877.

NAVY APPROPRIATION ACCOUNT—*continued.*

Chairman—continued.

ous Service Regulations have been foreseen at the time of framing the Estimate?—I may mention that until the year we are now in, and more completely, the year before us, the Naval Department was in the habit of taking as the basis of that amount of pensions, certain returns forwarded by the War Office. It was based upon expenditure, but it was so thoroughly contradicted by the growing expenditure due to the higher pensions, that we opened a new account in our books, and in the Estimates of the present year the amount is based entirely upon all the facts of death and other casualties of which the Naval Department have been informed. Having increased that Estimate very considerably, we have a right to suppose that we shall not have this divergence in future.

Mr. *W. H. Smith.*

334. You frame the Estimates and keep the accounts for your own seamen, do you not?—Yes.

335. And of your own marines?—Yes.

336. This is a deficit upon pensions and gratuities to seamen and marines?—Yes, the War Office pay them for us through the staff-officers, and up to the present time we have rested upon their statement as we have in the case of the Board of Trade, but now we have taken it entirely into the consideration of the Department, just like the effective pay of the seamen and marines.

337. Yes, and I may say that the Estimate that will come under your consideration shortly, has been prepared in our own office from absolute and reliable returns, so far as that can be done with so large and varying a body of men. 19,000 *l.* is the amount of increase over last year.

Chairman.

338. I see from a letter on page 76, that the Admiralty in December 1875 applied to the Treasury to allow extra expenditure to the amount of 2,400 *l.* incurred in providing passage from this country to Fiji for a detachment of Royal Engineers, to be provided out of a surplus which was expected to accrue upon Sub-head C.

NAVY APPROPRIATION ACCOUNT—*continued.*

Chairman—continued.

of this same Vote; could you not have foreseen on the 3rd December that this Vote was likely to fall short instead of providing surpluses for additional expenditure?—It is a Vote under which we really are the purveyors for another department, and consequently we only know of the divergence when it has actually occurred.

Lord *Eslington.*

339. It provides for payments on account of the War Office?—Yes.

Chairman.

340. Then you could not judge what amounts were likely to come in course of payment?—No; it is a War Office expenditure really.

Lord *Eslington.*

341. This Vote is an imprest, in fact?—Yes. The question has often been discussed whether it should appear in the Navy Estimates at all.

Mr. *W. H. Smith.*

342. How often do the War Department and the Admiralty settle their accounts for pensions paid by the War Office for the Admiralty?—Yearly, as a final settlement; three monthly as a matter of account.

343. (To Mr. *Edwards.*) Could not you settle more frequently than that?—Arrangements have been made for clearing it up quarterly if possible.

344. Then next year we shall hear that these accounts have been settled quarterly?—Yes, if practicable.

Chairman.

345. (To Mr. *Walker.*) With respect to the balance sheet, I see there is a mention of an account with the India Office in connection with the China War last year; have those accounts all been settled?—Yes, they have all been settled now.

346. (To Mr. *Welby.*) No further steps have been taken with respect to the question of extra receipts, I presume?—I am authorised to state the scheme of the Treasury on that subject will be laid before the Committee in a very short time for their consideration.

GREENWICH HOSPITAL CAPITAL AND INCOME ACCOUNT.

Chairman.

347. (To Mr. *Walker.*) With respect to the remark of the Comptroller and Auditor General upon the balance of the loan in connection with the Alston Roads, have you any information you

Chairman—continued.

can give the Committee?—Yes. I will hand in copies of a correspondence between the Admiralty and the Treasury on the subject. (*The same was handed in,* vide *Appendix.*)

Wednesday, 14*th March* 1877.

MEMBERS PRESENT:

Sir Walter Barttelot.
Lord Frederick Cavendish.
Mr. Cubitt.
Lord Eslington.
Mr. Thomson Hankey.
Sir John Lubbock.
Mr. O'Reilly.
Sir Charles Mills.
Mr. Seely.
Mr. William Henry Smith.

LORD FREDERICK CAVENDISH IN THE CHAIR.

Mr. REGINALD EARLE WELBY, C.B., and Mr. CHARLES LISTER RYAN, called in; and further Examined.

Chairman.

348. (To Mr. *Welby.*) ARE you prepared to state what the Treasury has done towards carrying out the recommendations made by the Committee in their Reports of last year?—I put in a statement showing what the Treasury has done under the Reports of the Committee of Public Accounts of last year. (*The same was handed in*, vide *Appendix.*)

Chairman—continued.

Mr. *Welby*, C.B., and Mr. *Ryan.*

14 March 1877.

CIVIL SERVICE APPROPRIATION ACCOUNTS.

CLASS I.

On Vote 13.—SCIENCE AND ART DEPARTMENT BUILDINGS.

Mr. ALGERNON BERTRAM MITFORD, called in: and Examined.

Chairman.

349. (To Mr. *Mitford.*) CAN you now give any explanation of the discrepancy under this Vote between the amount of extra receipts estimated, and the amount actually realised and paid over to the Exchequer?—Yes. The clerk whose duty it was to prepare the tabular form of Estimate for submission to the Treasury, omitted to inform himself of the probable amount which would be realised. The estimate should have been 11 *l.*, it being based on the average amount of money realised in the three preceding years for sales of old materials to the contractors; and, in addition to that, 1 *s.*, which was the sum paid as an acknowledgment of the privilege of putting a ventilator in a wall, abutting upon a court-yard at the South Kensington Museum. But in the year in question there was no sale of old materials at all, so that all that really came in was the 1 *s.*, which was brought to account and paid over to the Exchequer.

Chairman—continued.

so that really he was hardly accountable for what he did. The estimate should have been 790 *l.* arising from rents paid to the Office of Works by the Commissioners of Metropolitan Police for parts of Westminster and Southwark Police Courts, used for the accommodation of the police, the rent of the old Worship-street Court, which is sub-let, and the rents of properties in Castle-street and Leicester-squre, which were purchased as a site for a new Bow-street Police Court, but afterwards abandoned. The difference between the amount which should have been estimated, and the amount realised was caused by a half-year's arrear of the rent of the Westminster Court, and one quarter's arrear of the rent of the old Lambeth Court having been received in the financial year in excess of the yearly rents.

Mr. *Mitford.*

351. Due care has been taken in framing these Estimates for the present year?—Yes, certainly.

On Vote 20.

METROPOLITAN POLICE COURTS.

350. Can you explain the difference between the estimated amount of extra receipts and the amount realised in this case?—Yes. Unfortunately the mistake was very much of the same sort. I may explain that the clerk who drew up the estimate turned out to be in very bad health, and subsequently died of softening of the brain,

CLASS II.

On Vote 42.

GENERAL SURVEY AND VALUATION OF IRELAND.

352. (To Mr. *Welby.*) The Committee asked how the large sum which appears to have been left owing at the end of the year under this Vote came to be so left, can you now answer

Mr. *Welby*, C.B., Mr. *Ryan*, and Mr. *Mitford*.

14 March 1877.

APPROPRIATION ACCOUNTS—Class II.

Vote 42—General Survey and Valuation of Ireland—*continued.*

Chairman—continued.

that question?—It was a sum which was actually received in March, but under the ordinary regulations of the Department there, not transferred to the Pay Office Account until April. The head of the Valuation Office writes me word that large sums are nearly always received by that office in March, but that he will make arrangements by which henceforward the sums received will be paid over at the close of the year. As, therefore, they will be paid over before the end of the next financial year, this will not occur again.

CLASS III.

On Vote 26.

LANDED ESTATES COURT, IRELAND.

353. A question was raised with respect to a very large sum owing by the Landed Estates Court in Ireland, and I think you said you would obtain some information as to how that arose?—Yes.

354. Have you obtained that information?—I have here a memorandum which we have received from the Paymaster in Ireland, which I will hand in. (*The same was handed in,* vide *Appendix.*)

APPROPRIATION ACCOUNTS—Class III.

Vote 26—Landed Estates Court, Ireland.—*cont^d.*

Chairman—continued.

CLASS IV.

On Vote 16.

THE QUEEN'S UNIVERSITY IN IRELAND.

355. I believe you stated that you would endeavour to obtain some information from the Accounting Officer for this Vote?—Yes; I wrote to him, but he appears to be absent from home, and I have not yet received the information from him; when it comes, perhaps I may be allowed to hand it in to the Committee.

ASHANTEE EXPEDITION.

(VOTE OF CREDIT.)

Chairman.

356. Is this the final vote of credit for this service?—From time to time some small charges come in, but I think I may say it is practically the last. Some small charges may still come against us, in which case the Treasury will have to decide how they will provide for them, but so far as I know, there is no sum of any magnitude still to be charged against that service.

Sir *W. Barttelot.*

357. You say "No sum of any magnitude," do you know that there is a small sum?—Certain small charges come in occasionally on account of Captain Glover's Expedition particularly; there is no provision for them, and if any of those sums do come in, the Treasury will have to consider how they shall be brought under the notice of Parliament.

Chairman.

358. The deficit on this occasion was caused by unexpected claims made by the Admiralty?—Yes.

Chairman—continued.

Lord *Eslington.*

359. I suppose the surplus, whatever it may have been, was surrendered at the end of last year?—There was a large surrender made two years ago, and a small one of about 15,000*l.* last year.

360. Then any small outstanding accounts which may be sent in in respect of this service, in future will be met by an excess vote?—They will either be met by a fresh vote of credit or they will be paid out of the Civil Contingencies Fund, and a vote submitted to Parliament to repay the Civil Contingencies Fund. If they amount to a very small and insignificant sum, probably the latter course will be adopted, but if, which we do not expect, any large demand is made, we shall probably continue the form we have hitherto adopted.

CIVIL SERVICE APPROPRIATION ACCOUNTS.

CLASS VI.

On Vote 2.—MERCHANT SEAMEN'S FUNDS, PENSIONS, &c.

Mr. ROBERT GEORGE CROOKSHANK HAMILTON, called in; and further Examined.

Mr. *Hamilton.*

Chairman.

361. (To Mr. *Hamilton.*) LAST year the Committee of Public Accounts recommended that a legal opinion should be taken with respect to the acceptance, by the Board of Trade, of contributions from seamen entitling the contributors to pensions in certain cases; has that opinion been taken?—Yes, the opinion has now been received.

Chairman—continued.

362. Does it sanction those contributions?—It does not in this particular instance. The point raised by the Comptroller and Auditor General was, that certain instructions issued by the Board of

Appropriation Accounts—Class VI.

Vote 2—Merchant Seamen's Funds, Pensions, &c.—*continued.*

Chairman—continued.

of Trade went rather beyond the Act under which they were issued. The law officers gave their opinion that the instructions did not go beyond the Act, but in that particular case the Board of Trade had exceeded its powers. We have, therefore, returned the contributions to the man, and we shall not receive contributions under similar circumstances in future.

363. Those contributions have, in fact, been returned?—Yes.

[Mr. *Hamilton* withdrew.

Class VII.

On Vote 1.—Temporary Commissions.

364. (To Mr. *Welby*.) The Comptroller and Auditor General calls attention to the fact that the Secretary of the Railway Accidents Commission "has failed to account for a large balance remaining in his hands," "although application has been repeatedly made to him," and it appears that this matter has been put into the hands of the Treasury Solicitor; has any further progress been made in the matter?—The Treasury Solicitor has officially called upon the accountant to account for this balance, intimating that ulterior proceedings will, if necessary, be taken in the matter, but up to the present time we have not had any report from the solicitor as to what has been the result of that intimation.

365. Under the head of the Coal Commission it appears that a sum of 686 *l.* 16 *s.* has been paid as being the balance of expenses of an inquiry into certain coalfields due to Sir George Elliot; in what year was this expenditure incurred?—It was incurred under the Commission which was appointed in 1866. I believe the expenditure itself was incurred in 1867 and 1868.

366. Has any reason been given for the long delay in sending in this account?—Sir George Elliot was abroad for some time afterwards. He was applied to for vouchers in support of his expenditure, but at the time he really had not kept any vouchers of his expenditure, and he was not able to give us any. There was no doubt, of course, as to the fact that he had spent the money in the service of the Commission, and finally the Treasury, although they felt that it was very irregular that they were not able to produce proofs to the Comptroller and Auditor General in support of an expenditure of public money, nevertheless considered that there was no good to be got by further pressure, and therefore they passed the expenditure.

367. The claim for this amount, was sent in, I presume, some time ago?—Yes, it was sent in a considerable time ago; it was under correspondence for a long time.

Sir *W. Barttelot.*

368. Was the claim of the same amount as the sum actually paid?—Yes; I think no alteration was made in it.

369. The sum of 486 *l.* 16 *s.* was paid by Sir George Elliot to some mining engineers?—Sir George Elliot had employed these people, Messrs. Cope and Craig, and there was no doubt that that was the amount expended by them.

Appropriation Accounts—Class VII.

Vote 1—Temporary Commissions—*continued.*

Sir *W. Barttelot*—continued.

370. Did they not submit any charge?—Yes, they submitted a charge, but it was an unsupported charge. We thought that it was a fair amount according to Sir George Elliot's statement.

Lord *Eslington.*

371. I suppose the irregularity arose from Sir George Elliot omitting to send in the account within the financial year when the expenses were incurred?—Yes, quite so; Sir George Elliot was, as the Committee know, an unpaid member of a Royal Commission, and he omitted to observe those forms which we are able to exact from paid officials, but which it is very difficult to exact from people who give their services gratuitously.

372. Is it the rule of the Treasury when unofficial persons are employed, and public money is spent in connection with their services, to furnish them with regulations as to sending in their claims?—It is usual that gentlemen serving on Royal Commissions give their services to the State gratuitously, but in the case of every commission which is appointed, the secretary is furnished with most minute instructions as to the kind of vouchers he is to furnish for all expenditure for the Commission of which he is secretary. Those instructions also contain an intimation that all the members of the Commission are to account for the expenditure which they incur in the service of the Commission.

373. Then the secretary of every Royal Commission is held to be the accounting officer of such Commission?—The secretary is the sub-accounting officer to the Treasury for the expenditure in connexion with the Commission.

On Vote 5.

Paris International Maritime Exhibition.

Chairman.

374. Various payments have been made in support of which there is no satisfactory voucher in connection with this Vote. Has Mr. Meinhard returned yet from Philadelphia?—I believe he has returned lately, but I have no official information that he has come back. We have communicated only very recently again with the gentleman who is secretary to this Maritime Exhibition, and he has informed us that he has not been able at all events at present to obtain any statements in support of these two sums. It seems to me very doubtful whether we shall be able to obtain any further vouchers for them. Of course we are pressing the secretary, and we hope that we may be able to get something at all events from him.

375. This account appears not to have been delivered to the Exchequer and Audit Department until the 10th of January; was it delayed in hopes of receiving more information?—Of course the Treasury could only obtain the information from the Secretary to the Commission, and he did not render the account, supported as far as it is at present, until that date. Then the Treasury were obliged to send in the account as it stood, leaving these sums unvouched because

Mr. *Welby*, C.B., Mr. *Ryan*, and Mr. *Mitford*.

14 March 1877.

APPROPRIATION ACCOUNTS—Class VII.

Vote 5—Paris International Maritime Exhibition—*continued*.

Chairman—continued.

of the inexcusable delay which had taken place up to that date.

Mr. *Hankey*.

376. Did the Treasury allow that unvouched amount then?—The Treasury would not allow it until such time as it was perfectly evident that they could not get any more information; then they must decide whether they will allow it, or whether they will take any further proceedings.

On Vote 7.

ENTERTAINMENT OF SULTAN OF ZANZIBAR.

Chairman.

377. The Comptroller and Auditor General states that "no repayment appears to have been made to the India Office of the moiety of the expenses of the Zanzibar Consulate out of the Vote for Consular Services or out of that for the Commissions for Suppression of the Slave Trade, where the Vote for it is taken;" I believe a Vote has since been taken, has it not, and the

APPROPRIATION ACCOUNTS—Class VII.

Vote 7—Entertainment of Sultan of Zanzibar—*continued*.

Chairman—continued.

account is adjusted?—Yes, an Estimate has been laid before the House, and a Vote was taken last Thursday.

Mr. *W. H. Smith*.

378. An agreement has been arrived at between the Foreign Office, the India Office, and the Treasury, on the subject?—Yes.

379. And the whole of the payments are being now adjusted?—Yes, the whole of the payments will be adjusted under the Vote which has been taken.

On Vote 11.

REPAYMENTS TO THE CIVIL CONTINGENCIES FUND.

Chairman.

380. With respect to a sum of 125 *l.* paid for the lost Records of the Diocese of Ferns, has the Irish Church Commission been asked whether it is not liable for the amount, the loss having been incurred through the fault of one of their subordinates?—I do not think any question to that effect has been addressed to them.

REVENUE DEPARTMENTS AND POST OFFICE PACKET AND TELEGRAPH SERVICES APPROPRIATION ACCOUNTS.

On Vote 1.—CUSTOMS.

Mr. JOHN JENNER WEIR, called in; and Examined.

Chairman.

Mr. *Weir*.

381. (To Mr. *Welby*.) THE question as to the date of recording payments made by one Department for another, has now been settled by a Treasury Minute, has it not?—A Minute was laid before the Public Accounts Committee which contained the view of the Treasury at the time of the last sittings of the Committee last year; but, subsequently to that, the Treasury had some further communication with the Audit Office, in consequence of which by arrangement between the two departments a further modification was made which I think brings the two departments into complete accord upon the subject.

382. (To Mr. *Ryan*.) Then the Minute as now modified meets the views of the Comptroller and Auditor General?—Entirely so.

383. (To Mr. *Weir*.) Have the provisions of that Minute been observed in this account, or was it too late for that?—They will be observed immediately after the 31st of March.

384. Then they have not been observed in this Account nor in the one we shall have before us next year?—Not in the Account of the year ending the 31st March 1876, but will be observed in the Vote Account for the year 1876–77.

Lord *Eslington*.

385. Do you apprehend any difficulty in complying with the terms which have been arranged between the Audit Office and the Treasury as to the form of this Account?—No, I think not.

Chairman.

386. (To Mr. *Welby*.) The Comptroller and Auditor General calls attention to the different manner in which Votes are charged when one Department performs work for another, and states that it is very desirable that some uniform rule should be laid down. It also appears from the Treasury letter marked I, that the subject was under the consideration of the Treasury in the month of September 1875; has any conclusion been arrived at by the Treasury on the subject?—The Treasury quite admit that there is a very great discrepancy in the practice, and they also admit that it is very desirable that uniformity of practice should be established as far as possible. They believe that the scheme which we are about to lay before the Committee, dealing with the question of extra receipts, will be the first step towards obtaining that uniformity. They do not suppose that that scheme will cover each one of these cases to which the Comptroller and Auditor General calls attention, but they think it will provide for a considerable number of them, and, therefore, they have not thought it desirable to take up these specific differences to which the Comptroller and Auditor General has called attention until the Committee have had an opportunity of considering and pronouncing an opinion upon their general scheme which, as I have just stated, is about to be laid before you.

387. (To Mr. *Weir*.) Can you give the Committee any estimate as to the cost of the services performed

Chairman—continued.

performed by the Customs for other departments, which are the subject of repayment in one form or other?—With regard to the most important part of it, the sums which the Customs collect for the Inland Revenue, it will be almost impossible to give an estimate; and I think it could only be done by arriving at some per-centage on the amount collected by the Customs, as representing the cost of that collection.

Mr. *W. H. Smith.*

388. On the other hand, the Inland Revenue collected money for the Customs?—Yes; the Inland Revenue collect for the Customs roundly about 1,000,000 *l.* a year, and the Customs collect for the Inland Revenue about 3,300,000 *l.* a year.

Chairman.

389. There are many other services performed by the Customs for other departments, are there not?—There are a great number of payments made for a variety of Government departments;

REVENUE DEPARTMENTS, &c.

Vote 1—Customs—*continued.*

Chairman—continued.

for the Paymaster General and the Admiralty, and for the Admiralty Division of the High Court of Justice; for the Board of Trade, for the Privy Council, and so on. The sum paid amounts to about 237,000 *l.* per annum; those are all payments. A great deal of work of a marine character is necessarily done for the Board of Trade, for which we receive about 15,678 *l.* per annum at present.

Mr. *W. H. Smith.*

390. So that this anomaly exists, that in some cases you are paid for your services, as in the case of the Board of Trade, and the sum received by you goes into the Exchequer as an extra receipt, while in other cases you are not paid?—There is a difference to which I beg to draw attention with regard to the work done for the Board of Trade. In that case the money paid by the Board of Trade is paid out of the Mercantile Marine Fund; it is not paid out of the Votes in any way.

[Mr. *Weir* withdrew.

On Vote 3.—POST OFFICE.

Mr. STEVENSON A. BLACKWOOD and Mr. GEORGE CHETWYND, called in; and Examined.

Chairman.

391. (To Mr. *Blackwood.*) THE Comptroller and Auditor General states that, in reply to his inquiries whether the steps contemplated by the 2nd section of the "Superannuation, Post Office, and War Office Act, 1876," on the part of the Postmaster General and the Treasury, is necessary to give validity to certain appointments, had been taken, he was informed, on the 13th December 1876, that the certified statements of the Postmaster General would be sent to the Treasury before the 31st December 1876, as required by the Act; were they so sent?—They were.

392. (To Mr. *Welby.*) Has the Treasury warrant been issued to bring the matter to a definite conclusion?—Under the Act, the Treasury has up to the 31st March for the issue of the warrants. Two warrants have gone forward dealing with by far the greater number of the cases, but there are a certain number of cases outstanding which will be included in a warrant which must be issued before the 31st of the present month.

393. (To Mr. *Blackwood.*) Under the warrants which have been issued, will the salaries which had previously been disallowed be allowed to be charged?—They will.

394. Has any settlement yet been arrived at with respect to Treasury authority in the case of the Test Examination of the London District and Provincial Post Office Account?—Not up to the present moment.

395. Is this question likely to be settled soon?—The matter is now under the consideration of the Treasury. The Postmaster General is awaiting a communication from them on the subject.

396. (To Mr. *Welby.*) Can you say whether such a communication is likely to be sent before long?—The Treasury decided that they thought

Chairman—continued.

it would be the best thing for the Treasury Officers of Account to communicate with the finance branch of the Post Office, and to endeavour to come to an agreement together, upon which a joint representation might be made to the Treasury. The Treasury Officers of Account have up to the present time had other business in hand which prevented them from taking up this matter, but they are under instructions to enter into communication with the Financial Secretary to the Post Office as early as they can.

Lord *Eslington.*

397. (To Mr. *Blackwood.*) I presume there is some classification of these accounts of the London district and provincial postmasters; we are not to understand that Treasury authority is required for each account?—They are perfectly classified according to the sub-heads of the Vote.

398. Then a Treasury authority would cover all payments coming under that particular sub-head, would it?—Not exactly; Treasury authority is required by the Comptroller and Auditor General to be produced for all rates of salary. It is only with regard to expenditure of that description that it is contemplated to require Treasury authority in support of the charges.

399. Those accounts must, of course, be very voluminous?—They are very large indeed.

Chairman.

400. (To Mr. *Welby.*) With respect to the system of remunerating sub-postmasters and receivers, partly by salary and partly by allowances in the shape of commission and poundage, the Committee was informed last year that it was the intention of the Treasury to discuss the question with the Postmaster General, in order to see whether a simpler form of remuneration could be adopted; the Comptroller and

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Mitford*, Mr. *Blackwood*, and Mr. *Chetwynd*.

14 March 1877.

REVENUE DEPARTMENTS, &c.

Vote 3—Post Office—*continued.*

Chairman—continued.

Auditor General states that he has been informed by the Post Office that "no intimation has been received from the Treasury of their desire to re-consider the present system"; have you any observations to make upon that?—No letter has actually been addressed to the Postmaster General on the subject, and I think I must personally express my regret, as I am responsible for it. The Secretary to the Treasury spoke to me in the autumn, about giving effect to this Report of the Committee, and I am sorry to say that, having other business in hand, I forgot it at the time, and it was only recalled to my memory when the Report of the Comptroller and Auditor General came out. Steps are now being taken to give effect to it.

Lord *Eslington.*

401. (To Mr. *Blackwood.*) This affords an illustration of my last question; in the case of every individual sub-postmaster and receiver, who is remunerated partly by salary and partly by allowances, would Treasury authority be required in each individual case?—I believe it would in every case of remuneration by salary. Where the remuneration is by allowances, it is in accordance with certain fixed scales which have received general approval at some previous period.

402. There are many cases evidently where it is partly paid by salary and partly by allowances, in the shape of commission and poundage?—In all such cases, Treasury authority has, as far as I am aware, been received by the Postmaster General, but the question is, whether the Comptroller and Auditor General shall apply such an audit as will require the production of Treasury authority to satisfy him.

Chairman.

403. With respect to the cases of promotions or transfers in the Post Office, without a fresh certificate from the Civil Service Commissioners, it appears that the Civil Service Commissioners have stated that fresh certificates are absolutely necessary in such cases?—They have.

404. And the Postmaster General has communicated with the Treasury on the subject?—Yes.

405. Has he yet received any reply?—He has received no answer to the letter of the 20th of November, which was the last communication he addressed to the Treasury.

406. (To Mr. *Welby.*) Has the Treasury come to any decision upon the subject?—The question is a most complicated one, and the Treasury have been in communication with the Post Office and with the Civil Service Commissioners on the subject, but they have not yet come to a decision. It is under their consideration at the present moment.

407. The Comptroller and Auditor General recommends that, pending the settlement of the question, the salaries paid to these officers, amounting to 1,495 *l.* 9 *s.*, should be considered as not properly chargeable against the Vote. Is there any probability of a decision being come to before the Committee reports?—Perhaps the Committee will allow me to state to them at their next meeting what the probability is.

REVENUE DEPARTMENTS, &c.

Vote 3—Post Office—*continued.*

Lord *Eslington.*

408. You described this as a complicated matter; I presume that the difficulty arises from a doubt in the minds of the Treasury whether a certificate of competency for the performance of one particular class of duties, which may be very simple, would be sufficient in the event of a transfer of the officer to another department, where he would have to perform duties of a higher description; is that so?—That I understand to be the objection taken by the Civil Service Commissioners, and of course to a great extent it is admitted by the Treasury.

409. That would be the origin of the difficulty?—Yes, that is the origin of it.

Mr. *Hankey.*

410. (To Mr. *Blackwood.*) Are there many cases of that kind in which officers who have certificates for one particular description of work are employed upon another?—I think all the names are given in the correspondence which is appended to the Comptroller and Auditor General's Report. There are some 40 or 50. In a great measure they are cases of this kind: a boy clerk employed in the Savings Bank Department has been transferred to the third class in the Receiver and Accountant General's Office, having been found thoroughly fit and competent for his duties. It has been considered by the Postmaster General desirable to promote within the office, instead of going to the outside world, and resorting to open competition; but doubts are expressed as to whether he has the right to do that under the scheme which has been approved of, and it is those doubts which I hope will now be resolved.

Chairman.

411. The doubt is whether he has the power to do it under the different Orders in Council?—Yes.

Mr. *Cubitt.*

412. Does a fresh certificate in each case involve an open competition?—Not necessarily. The Treasury has the power under Clause 7 of the Order in Council of the 4th June 1870 to recommend the Civil Service Commissioners that they shall grant a certificate upon proved fitness for particular duties.

413. As a general rule, any person whom the Post Office wished to employ in the way you describe would have to go through an open competition?—He would have to do so if the principle of those Orders in Council were carried out with extreme literality.

Lord *Eslington.*

414. I presume that the Postmaster General holds that he is the person best competent to ascertain and to have a knowledge of the fitness of any person for promotion?—Precisely so.

415. And yet, as I understand it, the Treasury invariably require, in cases of those transfers, that the person transferred shall receive a fresh certificate from the Civil Service Commissioners?—It is the Civil Service Commissioners who require it; they are bound by the Orders in Council.

416. The

REVENUE DEPARTMENTS, &c.

Vote 3—Post Office—*continued.*

Lord *Eslington*—continued.

416. The pension of the person so transferred depends upon his obtaining a certificate?—Yes.

Mr. *W. H. Smith.*

417. I think that I should be right in stating that the Civil Service Commissioners are inclined to hold that a transfer to a higher class is in certain cases, indeed in most cases, a new appointment, and not a promotion?—Yes.

418. And that being a new appointment, the regulations of the Order in Council would apply to it?—Yes.

419. That is their contention?—Yes.

420. The Postmaster General, on the other hand, contends, that in the interests of the service a transfer to a higher class should be dealt with as promotion in certain cases?—Yes, that is his contention, and I may say that the action of the Department has been based upon the belief that such transfers were within his competence until the question was raised about six months ago.

Chairman.

421. With respect to the payments for extra work, a schedule of various rates of allowances in force at the Post Office was submitted to the Treasury and received their sanction last year?—Yes.

422. But various payments appear to have been brought under the notice of the Comptroller and Auditor General which were not provided for in that Schedule?—Quite so. It was always apprehended that there would be some such cases as well as new cases arising which were not provided for in that Schedule.

423. The Postmaster General informed the Comptroller and Auditor General that no effort should be wanting on the part of the Post Office to get the Treasury sanction to those payments?—Yes.

424. Has that sanction been received?—No; the Schedule was submitted to the Treasury on the 12th of January last, but no answer has yet been received.

425. (To Mr. *Welby.*) Is it now under the consideration of the Treasury?—I think the date when the Treasury received it was the 2nd of February. The letter of the Post Office is under the consideration of the Treasury, and every effort will be made to come to a decision on the question as soon as possible.

426. (To Mr. *Blackwood.*) With respect to the losses incurred by fraud and default in the Post Office Savings Bank Account, can any further precautions be taken to guard against such losses?—Further precautions could be taken, but they would be accompanied by such very large expenditure, as, in the opinion of the Department, would not be counterbalanced by the additional security; I may say that in cases like those which are referred to by the Comptroller and Auditor General, it would be very difficult to provide against fraud, since cases of fraud generally occur in places where a Sub-postmaster is single-handed and has access to all the letters dispatched from and arriving in his office; he has the confidence of the country people who are uneducated or illiterate, and he can falsify their accounts in their books which he has in his own control.

REVENUE DEPARTMENTS, &c.

Vote 3—Post Office—*continued.*

Chairman—continued.

If they do not (as in a very large number of cases they do not) comply with the regulations of the Department that their Savings Bank deposit books shall be sent up to London for verification, the check upon the Postmaster, which the inspection of such books provides is not carried out, and cases of fraud cannot therefore be immediately detected.

427. The two years from November 1872 to October 1874 appear to have been especially unlucky in this respect?—They have; but, at the same time, I may say that out of transactions amounting in 15 years to 117½ millions of money, the whole amount of losses incurred has only been 4,183 *l.*, or about three farthings and one-third per cent. Of late additional precautions have been taken in the way of calling in at a certain number of offices every year all the depositors' books, or as many of them as is considered desirable, in order to check any such malpractice as may be going on, but beyond these precautions the Department does not consider that it would be possible to go without incurring very great additional expense.

428. When were those additional precautions taken?—I think about a year or a year and a half ago.

Lord *Eslington.*

429. Then it is a test examination that you apply to those depositors' books?—The books are required by the regulations to be transmitted to the Head Savings Bank Office in London, in order that the department there may see that all deposits and withdrawals have been correctly charged in those books.

430. Is each separate deposit-book examined annually?—Yes, so far as the books are sent in they are checked; the deposits and withdrawals are checked against the books.

431. If I understand it rightly, by the losses which appear here as having been incurred in the latter part of 1872, in 1873, and in 1874, were charged to the Vote for 1875-6?—They were, because it was only after that lapse of time that the whole matter could be properly investigated, the amount of the bonds of the Postmaster enforced, and the exact amount for which the Department was finally liable ascertained.

Chairman.

432. (To Mr. *Ryan.*) The Comptroller and Auditor General, I presume, only felt it his duty to call attention to this?—Yes.

433. He has no means to suggest for providing better security?—None. (Mr. *Blackwood.*) Perhaps the Committee will allow me to observe that, as compared with other savings banks, the Post Office Savings Bank exhibits a very small amount of losses. From the year 1874 to 1876 the amount of losses in connection with the Trustee Savings Banks amounts to 299,000 *l.*

434. The Comptroller and Auditor General calls attention to the delay in bringing the void money orders to account. It appears that the amount of the forfeited orders can only be ascertained once in the year when what is termed the "Paid Issue" Account is closed; at what time of

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Mitford*, Mr. *Blackwood*, and Mr. *Chetwynd*.

14 March 1877.

REVENUE DEPARTMENTS, &c.

Vote 3—Post Office—*continued.*

Chairman—continued.

the year is that "Paid Issue" Account closed?—On the 31st of December.

435. Up to the present time it appears that these receipts on account of money orders forfeited in the year ended 31st December 1874, were only paid in this year, and no receipts have been paid in since?—That is so.

436. Do you see any possibility of getting in those receipts more rapidly?—I believe that it has been accelerated considerably of late. The original delay occurred in consequence of the great accession of business on the rates for money orders being reduced. Since that time the arrear has been gradually fetched up, but at the shortest it must take about 16 months before this "Paid Issue" Account can be accurately ascertained. At the same time I ought to say that this does not imply that the accounts are not regularly examined day by day. It is that check which is applied in order to finally balance the Money Order Accounts of the whole Kingdom, and to ascertain how much can be really paid to the Exchequer on account of orders which have lapsed or have become forfeited. No doubt we might pay a sum on account every year, but that would not be anything definite.

437. But the delay has been diminished, and steps are being taken to diminish it as much as possible?—It is in process of acceleration even now.

438. With respect to the charges for management of the Government Annuities and Insurances, it appears that the receipts are not equal to the expenditure as required by the Act. Has any arrangement been made for remedying this?—The Post Office, as is stated at the end of paragraph 23 of the Comptroller and Auditor General's Report, "is in communication with the Treasury as to the source from which the difference between the cost of management and the receipts of the annuity business is to be provided." I may explain that that difference arises from the fact that, in accordance with the provisions of the Act 35 & 36 Victoria, c. 67, a very large number of annuities of small amount are permitted to be issued to officers and seamen of the Mercantile Marine Fund in lieu, so to speak, of their pensions. The fee which is chargeable by the Post Office upon the issue of annuities is 1*s.* in the 1*l.*, and that is enough to defray the cost of the Annuities, if they amount to any ordinary sum; but when they only amount to 3*l.* a year, which is the average amount of these very small annuities, it is at once apparent that the cost of the business must exceed the amount of the fees received in respect of it. The subject has now been brought under the notice of the Treasury, and it will be considered there whether an increased fee should be charged, or any other means adopted for meeting the deficiency in future.

439. (To *Mr. Welby.*) Is the subject now being considered by the Treasury?—The subject is before the Treasury now. One difficulty which arises in it is as to whether an alteration in the practice can be made without an alteration in the law. No decision has been come to at present upon it.

440. (To *Mr. Blackwood.*) Are we to understand that the loss resulting from the cost of

REVENUE DEPARTMENTS, &c.

Vote 3—Post Office—*continued.*

Chairman—continued.

management exceeding the receipts in respect of this annuity business has reference entirely to that class of transactions which you have just described?—Entirely.

441. The remaining transactions completely pay themselves?—Yes.

Mr. *Seely.*

442. The Act of Parliament says "the Commissioners of Her Majesty's Treasury *shall* cause tables to be constructed" so that there shall be no loss in respect of costs or expenses; therefore it is imperative upon them; is not that so?—Yes, it is so.

Mr. *O'Reilly.*

443. Under what authority was this rule with regard to seamen's annuities made?—Under the Act 35 & 36 Vict. c. 67.

444. That was a special Act, was it not?—Yes.

445. Therefore, of course, the tables which the Treasury were to construct did not apply to that?—Yes, they did. The Act provided that those annuities should be granted in accordance with the rules affecting the grant of all Savings Bank annuities.

446. But the tables had been constructed before that on a rate which would have paid the expenses if these special annuities had not been granted in accordance with that Act?—Yes.

On Vote 4.

POST OFFICE PACKET SERVICE.

Chairman.

447. With respect to the details of the Account between the India Office and the Postmaster General, the Comptroller and Auditor General on the 9th of December asked that he should be furnished with a statement showing the amount due by India for 1874-5, with as little delay as possible; has that account been furnished?—It was furnished to the Comptroller and Auditor General on the 17th of February, immediately upon the India Office Auditors having completed their examination.

448. (To Mr. *Ryan.*) You have now received it?—Yes, we have. The balance due by India was stated to be 6,170 *l.*

449. (To Mr. *Blackwood.*) With respect to a sum of 4,892 *l.* 19 *s.* 7 *d.*, said to be due by the Royal Mail Steam Packet Company to the Post Office, which was the subject of arbitration, has any further progress been made in settling that account?—The Post Office counsel has advised a further investigation of the account between the Royal Mail Steam Packet Company and the Post Office, with a view to a complete case being submitted to arbitration, and that investigation will take place immediately.

On Vote 5.

POST OFFICE TELEGRAPH SERVICE.

Chairman.

450. Has any further progress been made with respect to a settlement of the question of the employment of an unestablished staff as linemen?—The

REVENUE DEPARTMENTS, &c

Vote 5—Post Office Telegraph Service—*cont*[d].

Chairman—continued.

—The Postmaster General was on the point of submitting his proposals to the Treasury on the 15th of December last; some delays have taken place since then, but I hope that within a few days from this time his proposals will be before the Treasury. I should say that they have been delayed hitherto partly in consequence of the various Committees of Inquiry into the Telegraph Service, since it was impossible to arrive at any definite opinion as to the establishment of a large number of men who are now employed upon labour, the terms upon which they should be admitted to the service, and their rates of pay, until these Committees had concluded their inquiries.

451. But it is now more than three years since the Comptroller and Auditor General called attention to the fact that this staff was employed without the authority of the Treasury?—That is so, and I think it is nearly three years that the Committees to which I allude have been inquiring into the Telegraph Department.

Lord *Eslington.*

452. This unestablished staff for the Telegraph Service, I suppose, consists simply of day labourers?—They are chiefly mechanics; a certain number are labourers, but the larger number are mechanics or skilled artizans, linemen, and so on.

453. What is the nature of the contract under which they are engaged; are they engaged for terms, or are they engaged by the day?—It has always been held that these men hold a *quasi*-permanent engagement. A large number of them were taken over immediately from the companies, and they have always been regarded more or less as permanent servants, although at present they have no legal title to permanent employment.

454. I presume that they are not entitled to anything in the nature of pension?—No, not as yet.

Chairman.

455. Is there any probability of this question being concluded before this Committee will be obliged to report?—The proposals of the Postmaster General will be laid before the Treasury, I think I may say, before another week is over; it will then depend on the Treasury how long a time must elapse before the question is decided. But I should say that it is a large question involving considerable expenditure and important principles, and I should think it will take the Treasury some time to consider it.

Mr. *O'Reilly.*

456. Is it contemplated to make all these labourers and mechanics permanent civil servants?—Perhaps I am hardly at liberty to say what the proposals of the Postmaster General will be until he has submitted them to the Treasury.

Mr. *W. H. Smith.*

457. Is it not the fact that the Treasury will not have the power to agree to the establishment of these men at any time subsequent to the 31st March with a view of granting them pensions?—That is the case so far as it would affect their pen-

REVENUE DEPARTMENTS, &c.

Vote 5—Post Office Telegraph Service—*cont*[d].

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Mitford*, Mr. *Blackwood*, and Mr. *Chetwynd.*

14 March 1877.

Mr. *W. H. Smith*—continued.

sions for service up to the 31st March. Of course it would be within the power of the Treasury to sanction their employment as permanent servants of the Government subsequently to that date, leaving the previous period quite uncounted.

458. The result is that we shall be very closely driven if we deal with that past service?—That is so.

Lord *Eslington.*

459. But taking into consideration, for instance, the great accidents that occur in snow storms, and so on, it will always be absolutely necessary to have the power of calling in outside labourers to assist you; you can never expect to maintain a staff sufficient to provide for the additional labour required in emergencies, I suppose?—Not of ordinary labourers; we shall never do that.

460. Or even as regards skilled labour?—I think I was wrong in saying that to any large extent, the unestablished staff consists of ordinary labourers; it consists principally of skilled labourers.

Chairman.

461. In paragraph 10, the Comptroller and Auditor General recommends that certain charges should be classed under the head of Salaries and Wages instead of being included in the Stores; would there be any insuperable difficulty in carrying out that recommendation?—I believe we shall be able to meet the views of the Comptroller and Auditor General without precisely agreeing to the method in which he proposes that these payments should be charged. There has been some misapprehension in the matter. The original reply from the Department was to a certain extent incorrect in consequence of that misapprehension, but I believe there will be none in future.

462. You believe that an arrangement will be come to which will be satisfactory to the Comptroller and Auditor General?—I have every reason to hope so.

463. (To Mr. *Ryan.*) Have you anything to say upon that?—No, I have had no information upon the subject.

464. (To Mr. *Blackwood.*) With respect to the payments to railway companies, the Comptroller and Auditor General states in paragraph 11 that "In sanctioning on 26th of May last the payments which were the subject of remark in paragraphs 20 and 21 of my Report on the Telegraph Capital Account for 1873-74, the Treasury requested the Post Office to forward without delay a schedule of any further payments of the same nature made between 1st April 1874 and 31st March 1876. This request does not appear to have been complied with;" has it been complied with yet?—Yes, it was, on the 2nd of February last; it took a long time, but it has been a very complicated question, and our officers have been so completely absorbed with what I may call the larger questions considered by the Committee last Session, that it has been almost impossible to arrive at a conclusion earlier.

465. (To Mr. *Welby.*) Can you state whether that schedule has been sanctioned by the Trea-

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Mitford*, Mr. *Blackwood*, and Mr. *Chetwynd*.

14 March 1877.

REVENUE DEPARTMENTS, &c.

Vote 5—Post Office Telegraph Service—*cont^d.*

Chairman—continued.

sury?—I believe it is under the consideration of the Treasury at the present moment.

Mr. *W. H. Smith.*

466. (To Mr. *Blackwood.*) It is the subject of correspondence between the Treasury and the Post Office at the present time, is it not?—Yes.

Chairman.

467. From paragraph 15 it appears that the question as to the apportionment of charges for sites and buildings to be paid by the Post Office and the Telegraph Services respectively, has been settled; when was it settled?—In the course of last year; I forget the date of the Treasury letter, but in my letter to the Exchequer and Audit Department, printed in the Appendix as letter F., on page 390, I state that the "Treasury have intimated to the Postmaster General, that in their opinion the apportionment should be left in the hands of the skilled officers of the Board of Works." I find that the date of the Treasury letter was the 1st of April 1876.

468. Is the apportionment of the past charges for this service being carried on now according to that direction?—Yes, so far as the accounts are open.

Sir *W. Barttelot.*

469. Is the account open or closed with regard to the General Post Office?—I am not quite sure whether that will come into consideration or not.

470. (To Mr. *Mitford.*) Can you answer that question?—The fact is that the first intimation that I had of this question having been settled, was contained in this Report of the Comptroller and Auditor General. The question appears to have been settled some time ago, but the Commissioners of Works were not then acquainted with the fact. We have now become aware of it by a letter we have received from the Treasury this morning, and we have written to the Post Office to inform them that so soon as they shall furnish us with a list of the buildings and sites upon which they wish to have the expenditure apportioned, we will instruct our officers to go over the work at once.

471. Then do I rightly understand you to say that the question of how the expenditure upon the General Post Office is to be apportioned is still under discussion?—No; the Treasury have settled the question. They have decided that the apportionment of the expenditure is to be according to the cubical space occupied.

Lord *Eslington.*

472. Are your Estimates for the present year based upon this settlement, namely, the amount of space occupied by the different departments?—It would only come into the Estimates as regards new buildings with us.

473. It would form an item in your Estimates, I suppose?—As regards the past, we shall have to clear it up afterwards.

474. This settlement was not arrived at in time for you to act upon it in this present financial year?—No; the first knowledge that I had of the settlement having been arrived at, was derived from this very Appropriation Account, and when I saw that, I wrote to the Treasury yesterday, and received to-day the official information.

REVENUE DEPARTMENTS, &c.

Vote 5—Post Office Telegraph Service—*cont^d.*

Lord *Eslington*—continued.

Chairman.

475. (To Mr. *Welby.*) Was no direction given by the Treasury that the Board of Works should be informed of this decision?—The fact that the Board of Works were not informed arose from a pure misapprehension between the Post Office and the Treasury. The Post Office having made a certain proposal to the Treasury which was modified by the Treasury, the Treasury informed the Post Office of their view, and they were under the impression that they would hear from the Post Office again as to whether or not they accepted that view. But the Post Office accepted the view of the Treasury *sub silentio*, so that while we were waiting for a letter from the Post Office, the Post Office conceived that no reply was necessary, and let the whole matter rest. That was how it happened that the Office of Works were not informed.

Lord *Eslington.*

476. Therefore any expenditure incurred by the Board of Works will be a charge upon the Post Office Votes for the present year, I presume?—Any expenditure upon the purchase of sites will belong to the Post Office Vote, but a portion of the charge will belong to the Board of Works Vote.

477. It will have to form a charge upon the Post Office Vote for this year?—Certainly, upon the Vote of the year to which it belongs.

478. The Post Office will regard it in the nature of an imprest, for which re-payment will be required from the Board of Works?—No, I think not. The position of things is this: so far as the purchase of sites is concerned the Post Office Vote will bear the charge, and bear the charge finally. So far as the expenditure on buildings upon them is concerned, the Board of Works Vote will bear the charge, and will bear the charge finally. There is no imprest in the matter.

Chairman.

479. Is your answer quite correct with respect to the sites. Is it not the case that the same principle has been laid down by the Treasury with respect to the charge for land and buildings, as for the cost of their erection?—Yes, I did not mean to imply that there was a different system of charging. I understood the noble Lord to ask whether the cost for sites and buildings would not in the first instance be charged to the Post Office Votes, and then be repaid.

480. (To Mr. *Blackwood.*) In paragraph 15, the Comptroller and Auditor General refers to his previous Report, in which he "stated that the Post Office had explained that the transfer of one-third of the expenditure is not to be considered as a final transaction, but that this amount has been transferred pending the decision of the Office of Works as to the amounts really chargeable to each service, and that when this decision is received the accounts of the two services will be adjusted accordingly." Will the adjustment go back to the purchase of the Telegraphs?—No.

481. How

REVENUE DEPARTMENTS, &c.

Vote 5—Post Office Telegraph Service—*cont^d.*

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Mitford*, Mr. *Blackwood*, and Mr. *Chetwynd*.

14 March 1877.

Chairman—continued.

481. How far will it go back?—The adjustment can only be retrospective so far as an account is open. Against the Votes of each year there will be charged, as I understand it, first, the estimated cost of sites; that is to say, the proportion which the Post Office estimates as that which is properly chargeable for certain sites; it will then, in the course of that year, receive from the Office of Works its final decision as to the cost of buildings already concluded, and it will charge also against that Vote the cost thus arrived at. The charge against each Vote, therefore, will be, to a certain extent, an estimated charge, and, to a certain extent, a final and decisive charge as to the past.

482. (To Mr. *Ryan*.) Is the method which has just been explained by Mr. Blackwood, in accordance with the Report of the Comptroller and Auditor General, "that the transfer of one-third of the expenditure is not to be considered as a final transaction," and that the whole of the accounts are to be re-adjusted when the decision is arrived at?—The re-adjustment spoken of as retrospective would apply, I presume, to the account which is rendered to Parliament, showing the profit and loss upon the Telegraphs Account. It could not be retrospective with regard to the actual charging to the Votes; that could not go back beyond that particular year.

483. You understood that the account rendered to Parliament showing the profit and loss upon the Telegraphs would be re-adjusted when the decision was arrived at upon this point?—Yes.

REVENUE DEPARTMENTS, &c.

Vote 5—Post Office Telegraph Service—*cont^d.*

Chairman—continued.

484. (To Mr. *Blackwood*.) Could that account be so re-adjusted without much trouble?—I have no doubt it could.

485. Has the sum mentioned in paragraph 16, which has to be surrendered, been adjusted?—It has been charged in accordance with the recommendation of the Committee of Public Accounts. (Mr. *Ryan*.) On the 30th of January a letter was received by us from the Post Office acquiescing in the method of adjustment proposed by the Comptroller and Auditor General with respect to this sum.

486. Then that matter is concluded?—Yes.

Mr. *O'Reilly*.

487. (To Mr. *Blackwood*.) Who has actually paid the sum?—The Vote of Parliament.

Mr. *W. H. Smith*.

488. (To Mr. *Welby*.) Has there been any correspondence between the Treasury and the Post Office on the subject of the items disallowed by the Public Accounts Committee on the Telegraph Capital Account last year?—Yes.

489. Will you put in that correspondence?—I will. (*The same was handed in*, vide *Appendix*.)

490. Will you also hand in the correspondence with regard to the apportionment of charges between the Telegraphs and the Post Office?—I will. (*The same was handed in*, vide *Appendix*.)

[Mr. *Blackwood* and Mr. *Chetwynd* withdrew.

CIVIL CONTINGENCIES FUND ACCOUNT.

Mr. *W. H. Smith*.

491. In a letter from the Treasury, of the 23rd January 1877, it is stated that certain bills have been accepted upon the Dominican Government, as a settlement of the claim against that Government, and that an Estimate will be presented to Parliament for the sum eventually required to make good the balance of that debt; has that Estimate been presented now, or will it be deferred until it has been ascertained whether all those bills are paid?—It will be deferred until it is ascertained whether those bills are paid.

492. Then this sum will remain as a balance upon this account for some years still?—You will see that it is stated that the last bill is due on the 27th of June 1878; therefore, in the year 1878-79, the account ought to be adjusted.

493. Has any reply been received from the Chief Secretary for Ireland with respect to the 1,500*l.* owing by the Receiver of Constabulary?—I cannot ascertain that any reply has been received to the Treasury letter of the 21st December last.

Mr. *W. H. Smith*—continued.

494. Perhaps you will be able to give us some information on the subject at our next meeting?—Yes.

495. Can you state whether any sum has been recovered in respect of the outstanding claims against four boroughs?—You will see that the Treasury letter states that "Legal proceedings have been taken to enforce the claim against the boroughs of Maidenhead and Macclesfield. In the cases of Limerick and Pontefract, the advances have been recovered." The sum owing has since been recovered in the case of Macclesfield also.

496. Then there is only a sum owing by Maidenhead?—Legal proceedings are now pending against Maidenhead.

Mr. *Welby*, C.B., Mr. *Ryan*, and Mr. *Mitford*.

14 March 1877.

CONSOLIDATED FUND ACCOUNT.

Mr. *W. H. Smith*—continued.

497. Amongst the "other charges on the Consolidated Fund," on page 3, there is said to be an excessive issue of 200,000 *l.* on account of the Localisation of Her Majesty's Military Forces; why was not that service included in the Estimates?—The Act for the Localisation of Her Majesty's Military Forces permits the Treasury to borrow the sum which is required for that purpose, and as a general rule, the Treasury has borrowed the amount on Terminable Annuities. The Act, however, does not make the borrowing as it does in the case of the Fortifications, compulsory upon the Treasury, and in the year 1875–76, the Chancellor of the Exchequer decided that a portion of the amount which was spent upon the Localisation of the Forces during that year, should stand as a final charge against the Consolidated Fund, and that he would not borrow against it.

Sir *W. Barttelot.*

498. It is not estimated for in the Army Estimates?—No; I may, perhaps, explain this matter. The Act for the Localisation of the Forces authorised the Treasury to spend a sum of 3,500,000 *l.* without any limit as to time, and for that purpose they had to borrow from time to time, according as sites were acquired or buildings bought, in order to supply the War Office with funds to make the payments for them.

Mr. *W. H. Smith.*

499. There are two Acts of this kind, are there not; there is the Fortification Act and there is the Localisation of the Forces Act?—There are four or five Fortification Acts.

500. There are two series of Acts of this kind?—Yes, but there is this difference between them, that the Fortification Acts make the borrowing imperative upon the Chancellor of the Exchequer, but the Localisation of the Forces Act leaves a discretion to him to borrow or not, according as he is in funds or not.

501. So it comes to this, if the Chancellor of the Exchequer has a surplus of half a million in any year, he is absolutely compelled to borrow half a million, we will say for fortifications, and then he may use his surplus to pay off the very debt he has borrowed, if he pleases to do so?—Yes.

Lord *Eslington.*

502. It appears that the amount advanced for public works has exceeded the sums repaid and the amounts raised by loans by 588,427 *l.* 13 *s.* 4 *d.*?—Yes.

503. These advances are raised by means of Exchequer Bonds; am I right in supposing that, as the money comes back, Exchequer bonds to the amount of the sums repaid would be cancelled?—No, the advances are made in the first instance out of the Consolidated Fund, and under powers obtained from Parliament the Chancellor of the Exchequer borrows in the market the sum that he requires to meet these charges. Those loans have generally been made in Exchequer bonds which fall due at the end of three years, and he must then either pay them off or re-issue them. The money which has been thus lent comes back only very slowly, the repayment of the greater part of it being spread over a period of 50 years. The consequence is that you must look upon the two proceedings as entirely separate. The Chancellor of the Exchequer pays off these bonds or re-issues them according as his revenue is good or bad. The repayment of the money thus borrowed comes back very slowly and gradually, but a certain sum is paid in the course of every year and flows into the balances, and every farthing so paid back on account of principal is available for the purpose of meeting the charge on the bonds when they fall due, so far as it goes.

Mr. *W. H. Smith.*

504. The Chancellor of the Exchequer can only borrow, in respect of Public Works loans, the balance of the sums which becomes a charge on the Consolidated Fund, after allowing for the repayments?—Quite so.

505. Therefore, if the advance is 3,000,000 *l.* and the repayment is only 1,000,000 *l.*, he has only statutable power to borrow 2,000,000 *l.*?—Yes.

506. So as to keep the balances intact, and no more than intact?—Yes. I ought to add that that power only extends to the loans made by the Public Works Loan Commissioners here. These provisions do not extend to the loans made by the Commissioners of Public Works in Ireland.

Lord *Eslington.*

507. I presume all the repayments cover the interest as well as the principal?—Yes, they are calculated to do so.

Chairman.

508. With respect to the outstanding balances of advances for Public Works mentioned in paragraph 8 of the Report, a Bill was introduced last Session for settling this question?—Yes, but there was not time to pass it.

509. Will that Bill be introduced again this year?—Yes; I believe the Secretary to the Treasury is about to re-introduce it.

Wednesday, 18th April 1877.

MEMBERS PRESENT:

Lord Frederick Cavendish.
Mr. Cubitt.
Lord Eslington.
Sir John Lubbock.
Mr. O'Reilly.
Mr. Seely.
Mr. William Henry Smith.

LORD FREDERICK CAVENDISH, IN THE CHAIR.

CIVIL SERVICE APPROPRIATION ACCOUNTS.

CLASS IV.

On Vote 16.—THE QUEEN'S UNIVERSITY IN IRELAND.

Mr. REGINALD EARLE WELBY, C.B., and Mr. CHARLES LISTER RYAN, called in; and further Examined.

Chairman.

510. (To Mr. *Welby.*) THERE were a few points on which you hoped to be able to give the Committee further information; one had reference to this Vote. The Treasury sanction had not been asked for or obtained to the application of savings on certain sub-heads to meet an excess of expenditure on other sub-heads of the grant; has authority been applied for?—In accordance with the instruction of the Committee, I communicated with the Accounting Officer, and the Treasury authority has now been formally applied for and given.

CLASS V.

On Vote 6.

TONNAGE, BOUNTIES, &c., AND LIBERATED AFRICAN DEPARTMENT.

511. Can you give any information respecting the author of the theft referred to in the Report of the Comptroller and Auditor General?—A very full report was called for by the Treasury on the subject of this theft from the Treasury adviser on matters connected with the slave trade, and the result of it was that he expressed regret that the consul at Zanzibar had, as he thought, somewhat underrated his powers of proceeding against the boat's crew of the "Wolverene," who appear to have been guilty of the theft; but he advised the Treasury that, looking at the lapse of time which had taken place, and the uncertainty that there was, inasmuch as the "Wolverene" had been paid off, whether the theft could be brought home to the guilty parties, proceedings were unadvisable. Thereupon the Treasury wrote to the Admiralty the following letter: "Write to the Lords of the Admiralty, and express the very great regret of my Lords that it should be their duty to transmit a report so seriously impugning the conduct of an officer

Chairman—continued.

and of men in Her Majesty's Service; express a hope that their Lordships will think it right to convey to Lieutenant Mandeville their opinion of his conduct in failing at once to ascertain the correctness of the charge of the crew of the dhow by searching the cutter, and that steps may be taken to prevent, as far as it may be possible, for their Lordships to do so, a recurrence of proceedings of which the least unsatisfactory is that Her Majesty's Government are under the necessity of compensating the dhow's crew for money alleged to have been stolen from them by sailors in Her Majesty's Service."

512. Has any reply been received from the Admiralty to that letter?—That letter was written on the 13th of October, and on the 6th of November this reply was received; "I have received and laid before my Lords Commissioners of the Admiralty your letter of the 12th ultimo, No. 15,235, transmitting copy of a report from the Registrar of the High Court of Admiralty, relative to a sum of 200 dollars alleged to have been stolen by a crew of a cutter of the 'Wolverene,' whilst engaged in searching a dhow in July 1873, off the Coast of Zanzibar; and stating that you are commanded by the Lords Commissioners of Her Majesty's Treasury to express their very great regret that it should be their duty to forward a report so seriously impugning the conduct of an officer and of men in Her Majesty's Service. I am commanded by their Lordships to acquaint you, for the information of the Lords Commissioners of Her Majesty's Treasury, that Rear Admiral Arthur Cumming in his despatch of 28th July 1873, reporting the occurrence, informed them that he had severely censured Lieutenant Mandeville for not at once searching the cutter when a complaint of so serious a nature had been made to

Mr. *Welby*, C.B., and Mr. *Ryan*.

18 April 1877.

APPROPRIATION ACCOUNTS—Class V.
Vote 6.—Tonnage, Bounties, &c., and Liberated African Department—*continued.*

Chairman—continued.

him, and that my Lords on the 21st November last, acquainted the rear admiral in command that they approved of the course he had taken. Rear Admiral Cumming was also desired to lose no opportunity of impressing upon the officers under his command, the necessity of strictly observing the printed instructions relative to the mode of visiting and searching vessels, and dealing with any complaints made by those on board the vessels searched."

APPROPRIATION ACCOUNTS—Class V.
Vote 6.—Tonnage, Bounties, &c., and Liberated African Department—*continued.*

Chairman—continued.

REVENUE DEPARTMENTS, &c.

On Vote 3.—POST OFFICE.

Chairman.

513. The Comptroller and Auditor General calls attention in his report to various promotions and transfers for which Civil Service certificates were required; it was stated, I think, in answer to Questions 394 and 395, "the matter is now under the consideration of the Treasury; the Postmaster General is awaiting a communication from them on the subject"; have any further steps been taken with respect to that matter?—A letter was written to the Post Office under date of 23rd March, dealing with these irregular promotions, of which, with the permission of the Committee, I will put in a copy. (*The same was handed in*, vide *Appendix*).

514. Then with respect to the system of remunerating sub-postmasters and receivers; last year the Committee recommended that the question of establishing some simpler form of remuneration should be considered; has any further progress been made in that matter?—No steps have yet been taken with regard to communicating with the Post Office upon that subject; the Treasury propose as soon as they have leisure to deal with that.

Chairman—continued.

Lord *Eslington.*

515. Is it held by the Treasury that the system of partially compensating sub-postmasters and receivers by commission and poundage, affords a stimulus to exertion; is that the object of it?—Perhaps the noble Lord will put that question to Mr. Blackwood, who represents the Post Office here, and who would know the grounds upon which it is done.

Mr. STEVENSON A. BLACKWOOD, called in; and further Examined.

Lord *Eslington.*

Mr. *Blackwood.*

516. (To Mr. *Blackwood.*) Can you answer the question I have just put to Mr. Welby?—If I remember right I gave some evidence upon that point last year; it was to the effect that the present system is substantially a system of payment by results, which has been long in force at the Post Office, and has grown up as each succeeding kind of work has been thrown upon postmasters. It is under consideration, and we are awaiting a communication from the Treasury as to whether that system should be altered, but it is considered that hitherto it has afforded a good method of remuneration.

517. Then I understand that it is still *sub judice* whether that system is preferable in whole or in part to a fixed salary?—It is so far *sub judice* that the Post Office has not yet taken any steps to alter it and is awaiting a communication from the Treasury on the subject.

Chairman.

518. (To Mr. *Welby.*) We were told at the last meeting that the Postmaster General had forwarded to the Treasury a schedule of payments to be made for extra work and special allowances at rates not authorised by the previous schedule, and that that schedule was under the consideration of the Treasury; has any conclusion been come to with respect to it?—The Treasury has come to the conclusion that they will sanction that schedule of extra duty rates and special allowances for a limited period, namely, up to the 31st December next, before which date they propose that one of their financial officers shall attend, with the permission of the Postmaster General, at the Post Office, and endeavour to come to an agreement with the financial secretary of the Post Office and report to the Treasury upon the course to be taken for the future; but in the meantime the Treasury say that they consider that all extra rates and allowances should issue only at the printed rates with the express authority of the Treasury, which, if not obtained beforehand, should be obtained at the time that the expense is incurred, or as shortly afterwards as possible.

Chairman—continued.

On Vote 5.

POST OFFICE TELEGRAPH SERVICE,

519. Have any steps been taken with respect to the question as to the telegraph linemen, a number of whom, not on the establishment, seem to have been employed without the Treasury sanction?—A letter has been written on the subject, and I believe, has gone forward now, which decides under what circumstances the existing men are to be considered as established, and states the view of the Treasury as to what should be the condition of those men in future.

520. Can you put in a copy of that letter?—Yes. (*The same was handed in*, vide *Appendix.*)

521. We were informed at the last meeting of the Committee, that the Post Office had communicated

REVENUE DEPARTMENTS, &c.
Vote 5.—Post Office Telegraph Service—*cont^d.*

Mr. *Welby*, C.B., Mr. *Ryan*, and Mr. *Blackwood*.

18 April 1877.

Chairman—continued.

nicated to the Treasury a schedule of further payments to railway companies, and that that schedule was under the consideration of the Treasury; has any conclusion been come to with respect to it?—No; no reply has been made to the Post Office upon that question.

522. Will the matter be settled before the Committee reports?—As far as I know, I see no reason why the matter should not be settled before the Committee reports. Before leaving this Vote, perhaps the Committee will allow me to state that there was one other question raised by them, viz., as to the completion of the warrants under the Act of last year sanctioning certain appointments. I said that two or three warrants had been issued, and that the Treasury had then, up to the 31st March, to complete the settlement under the Act of last Session. I may state now that all the warrants have been completed and gone forward.

CIVIL CONTINGENCIES FUND ACCOUNT.

Chairman.

523. There was a sum of 1,500 *l.* due from the Receiver of Constabulary in Ireland, with respect to advances connected with weights and measures. The Treasury had written to the Under Secretary for Ireland with respect of these arrears, and had received no reply at the time of the last meeting of the Committee; has any reply been subsequently received?—No official reply has been received, but under the instructions of the Treasury, I have been in communication with the Under Secretary for Ireland, and I learn that in a very short time, a Bill is about to be submitted to the Treasury for their consideration, which will deal with this among other matters.

Chairman—continued.

524. Do you know anything about the registrar of the county court at Whitchurch?—The Clerk of the Committee informed me that he had written to him, and I sent a note to the superintendent of the county courts from the Treasury, telling him, that the registrar had been summoned, and intimating to him that I hoped there would be no mistake about it. I have not heard anything since.

Mr. *W. H. Smith.*

525. (To Mr. *Ryan.*) Has the Comptroller and Auditor General any information with respect to this registrar?—We have had no further information of any kind.

POST OFFICE TELEGRAPHS CAPITAL ACCOUNT.

Chairman.

526. (To Mr. *Blackwood.*) In paragraph 1 of the Comptroller and Auditor General's Report, he states "that the agreements with the Greenock and Ayrshire and Leven and East of Fife Railway Companies had not been submitted for Treasury sanction as late as the 22nd of January last. It appears that steps were being taken as long ago as June 1875 with respect to the Greenock and Ayrshire agreement; what has been the cause of this long delay?—In the case of the Greenock and Ayrshire, the agreement was in the hands of the Solicitor of the Post Office up till the 17th of November 1876, or rather in the hands of the Post Office Counsel, who was then very much pressed with arbitration work, and was unable to complete it earlier. We finally received it from him on the 22nd of November last, and since that date it has been in the hands of our engineer in chief, who has been taking it up, but has been unable as yet to report upon the subject, owing partly to illness and partly to pressure of other work; but that agreement, and also the East of Fife Railway agreement, are now being pushed forward, and I hope we shall be able to send them to the Treasury within a very short time.

527–8. Has any sum been paid on account of these agreements, or is the whole sum owing?—Nothing now remains to be paid to the companies.

529. The Committee were informed in June 1875, that steps were being taken to expedite this matter?—Yes. In the case of the Leven and East of Fife Railway the agreement was detained in the hands of the company until 22nd of last September.

Chairman—continued.

530. (To Mr. *Welby.*) Paragraph 10 of the Comptroller and Auditor General's Report refers to the amounts disallowed by the Public Accounts Committee in their Report last year, and at the conclusion of letter F. in the Appendix the opinion of the Audit Office is stated that "with regard to the expressed intention of their Lordships to ask Parliament to vote a sum to enable them to adjust the account, I am to point out that the disallowances now under remark were made not upon the Vote, but upon the Telegraph Capital Account for 1874–75. Under these circumstances, I am to submit for consideration whether, in the event of the balance now remaining of the funds provided by the Telegraph Acts of 1869, 1871, 1873, and 1876 being sufficient for the purpose, the object in contemplation might not be effected, with perhaps even greater exactness of account, by a resolution of the House of Commons authorising the expenditure in question to be charged against the Capital Account;" have you anything to say with respect to that observation?—Perhaps the best answer I can make to the question will be, if the Committee would allow me to do so, to read a reply which the Treasury propose to address to the Comptroller and Auditor General upon that question: "I am directed by the Lords Commissioners of Her Majesty's Treasury to acknowledge

Mr. *Welby*, C.B., Mr. *Ryan*, and Mr. *Blackwood*.

18 April 1877.

POST OFFICE TELEGRAPHS, &c.—*continued.*

Chairman—continued.

acknowledge the receipt of your letter of the 24th ultimo, asking whether the expenditure charged against the Telegraph Capital Account, but disallowed by the Public Accounts Committee in 1876, should not be authorised by Resolution of the House of Commons, rather than that a Vote should be taken to enable the persons who are now responsible for the disallowed expenditure, to make good the sums which are personally charged against them. I am to inform you in reply that on full consideration my Lords prefer a Vote to a Resolution. It appears to them that a Resolution may possibly be misinterpreted as obliterating the irregularity, and that it may be regarded by departments as a mere formal proceeding of condonation. On the other hand, a Vote expresses in their view precisely the meaning of the process by which the disallowed expenditure is to be made good. A Committee of the House of Commons disallows certain expenditure, and deliberately leaves the authorities of the department which incurred the expenditure, chargeable therewith, and until the amount of the disallowance is made good, the account cannot be adjusted. The next step, therefore, would be for the Treasury to call on the officers who are personally responsible to pay up the deficient amount, but my Lords propose that, if in their opinion the irregularity is not sufficiently great to require so severe a punishment, they should ask Parliament to grant a sum to enable the responsible persons to make good the deficiency. Thus the principle is maintained that any sum disallowed by the Public Accounts Committee must be actually repaid to the Vote or fund from which the disallowed expenditure was originally defrayed."

531. (To Mr. *Ryan.*) Have you any further observation to make upon that?—No, I have no observation to make upon this letter, which I have only just this minute heard read, and which has not reached us yet.

532. (To Mr. *Blackwood.*) On paragraph 17, with respect to this sum of 312 *l.* 0 *s.* 4 *d.*, which is admitted by the Post Office to have been overcharged on the Capital Account for the purchase of undertakings; I understand that the money is to be charged against extensions?—It will be so charged.

533. Against the Capital Account, or against the Revenue Account?—We propose to charge it against the Capital Account.

534. Next year?—Yes; that is in the year subsequent to that now under notice.

535. It is now placed to the Suspense Account?—No, I presume it has now been included in the Capital Account.

536. For the present year?—Yes.

Mr. *W. H. Smith.*

537. It appears that an expenditure of 6,713 *l.* 12 *s.* 6 *d.* for extensions was not charged either to the Vote Account, or to the Capital Account, during the year 1875-76, but was charged to the Telegraph Capital Account in 1876-77, although it was provided by the 3rd section of the Telegraph Act of 1873, that no extension should come upon the Capital Account after the 1st October 1873; can you explain to the Committee the nature of the charge, and how it arose?—It consisted mainly of a sum of 6,000 *l.*, which had been paid to the Universal Private Telegraph Company so far back as 1870, and the Post Office originally included it in the Capital Account, but the Comptroller and Auditor General objected to it as a charge against that account on certain grounds, and it was removed at his instance, and only regarded as an imprest, until the award upon the whole case could be given and the amount settled, which should be charged against the respective heads. That award was not given, I think, until 1875, and on that award having been given, the accounts were posted, and this payment, made so long ago as 1870, was then treated as a final payment, and charged against the Capital Account.

538-9. Then the view of the Post Office is, that it falls into precisely the same category as an award in an arbitration now proceeding, with regard to work done prior to 1873, and which, even although the award is not yet given, still remains a charge against the Capital Account, referred to in this Act of Parliament; is that so?—Quite so.

Chairman.

540. But it appears that by the third section of the Telegraphs Act of 1873, it was enacted that "No part of the moneys raised in pursuance of this Act shall be applied to defray any charges in respect of telegraph extensions coming in course of payment on and after the 1st day of October 1873;" how do you propose to meet that difficulty?—The Post Office has governed itself, as explained in my letter to the Comptroller and Auditor General on the 6th March last, in accordance with what they believed to be the opinions of the Committee of Public Accounts and of the Comptroller and Auditor General himself. In the 4th and 5th paragraphs of that letter, on page 10, paragraph 29 of the Report of the Public Accounts Committee of 1875 is quoted, in which it was said: "The Post Office stated to the Comptroller and Auditor General that nothing more remained to be charged to capital account in respect of extensions, except a sum payable to the Universal Telegraph Company. This matter, your Committee were informed, was in arbitration, and the delivery of the award was expected almost immediately. This payment, it therefore appears, would finally close the Capital Account, so far as extensions are concerned, leaving it open for undertakings and commutations only." The Post Office, therefore, believed that the Committee held that it was properly chargeable to Capital Account.

541. (To Mr. *Welby.*) Do you consider that there is any power of applying any of the moneys raised, in pursuance of the Act of 1873, to defray this expenditure?—The Treasury have taken a view similar to that which the Post Office took, and I think the ground upon which they came to that decision was, that practically this was a service which had come in course of payment before the date of October 1873, and that, therefore, the sum could be charged to the Capital Account. It is a doubtful case, but that was the best opinion they could form upon it. (Mr. *Ryan.*) It was originally an imprest made out of revenue, and when it became a final charge the Post Office charged it against capital. In the view of the Audit Office, a strict observance

POST OFFICE TELEGRAPHS, &c.—*continued.*

Chairman—continued.

vance of the provisions of the Act would have required the charge to fall upon the Vote.

542. (To Mr. *Welby.*) Can you consider a sum paid by way of imprest as "coming in course of payment"?—The Treasury hold that the sum had become really due and payable. (Mr. *Ryan.*) We should say that it had been advanced. (Mr. *Welby.*) The service had been carried out. The Treasury opinion was that the service had been completed, and that, therefore, payment was due upon it before the time specified by the Act, and that circumstances only had led to the postponement of payment.

Mr. *W. H. Smith.*

543. (To Mr. *Blackwood.*) If instead of being an imprest it had been an absolute payment it would undoubtedly have been a proper charge against the Capital Account?—Yes.

Mr. *O'Reilly.*

544. If the exact figure had been determined in time?—Yes.

Mr. *W. H. Smith.*

545. And it was no fault of the Post Office that the exact figure was not determined within the time specified by the Act?—No.

Chairman.

546. In paragraph 22 of the Comptroller and Auditor General's Report he states, "With reference to the payments charged in this account as interest on the purchase of undertakings, amounting apparently to 4,602 *l.* 13 *s.* 2 *d.*, I have to remark that they have been allowed in pursuance of a Minute of the Treasury, dated 15th September 1876;" can you state what sum in all has been paid on account of interest?—A statement of the amount paid (with one small exception) was handed in last year, and will be found in Appendix 2 to the Second Report of the Committee.

POST OFFICE TELEGRAPHS, &c.—*continued.*

Mr. *Welby*, C.B., Mr. *Ryan*, and Mr. *Blackwood.*

18 April 1877.

Chairman—continued.

547. Will you put it in?——

548. I understand that this is interest on account of a deferred payment for property, the receipts from which have been paid to the revenue?—Yes, it is so.

Mr. *Seely.*

549. How many accounts are there yet unsettled for telegraphs connected with railways; how many claims are outstanding?—About nine or ten.

550. Will you specify them?—The Great Northern Railway; the joint lines of the Great Western and London and North Western Railways; the London and South Western Railway; the Manchester, Sheffield, and Lincolnshire Railway; the Metropolitan Railway; the North London Railway; those are the principal claims, and there are some smaller ones.

551. Can you tell the Committee what are the sums that they claim?—The total amount claimed is 1,646,538 *l.*

552. Can you give the Committee an idea of when they are likely to be settled?—There is good reason for hoping that they will all be settled within the current financial year; arrangements are in progress now for arbitration in one or two cases.

553. Would interest be payable upon those claims?—That depends upon the arbitrator.

554. It is not a fixed sum?—No.

Lord *Eslington.*

555. How many of these claims are subjects of arbitration at the present moment?—At the present moment there is only one in actual process of arbitration.

556. Is it contemplated to refer other claims to arbitration?—I am afraid that in some cases it will be absolutely necessary to do so.

[Mr. *Blackwood* withdrew.

ARMY APPROPRIATION ACCOUNT.

Mr. JOHN MILTON, C.B., called in; and Examined.

Chairman.

557. IN paragraph 4 of the Report of the Comptroller and Auditor General he calls attention "to the fact that the record of the greater part of the War Office expenditure in the books of the Department is deferred until a late period of the year;" is it absolutely necessary that there should be so great a delay?—Of course we are as anxious to get the Record forward as the Comptroller and Auditor General can be. There is a period allowed for the accountant to render his account, and a further period is required for us to examine the account; therefore the date when an expenditure can first be put on record is generally six months after it has taken place. That applies to the imprest expenditure, but a large portion of the expenditure which is not from imprest but from direct payment, is put on record from day to day. We have, by the rule of the Treasury, nine months after the expiration of the

Chairman—continued.

Mr. *Milton*, C.B.

year to complete our record and make up our balance-sheet; therefore, naturally the whole expenditure from imprest would come on record in the last six months of the year.

558. Is it not possible to place on record from day to day a large proportion of the expenditure?—We do place on record from day to day the whole of the payments that are made by our office direct, but that cannot be done in the case of money issued to the accountants to be accounted for at the end of three months. Take, for example, issues that are made in April; those are accountable on the 30th June. The accountant has a month or six weeks to render his account, and then we have to examine it. The first shilling issued on imprest on the 1st of April would not come to the book-keeper to be placed on record until the 1st of October.

559. That would only be in the case of the

Mr. *Welby*, C.B.,
Mr. *Ryan*, and
Mr. *Milton*, C.B.

18 April 1877.

ARMY APPROPRIATION ACCOUNT—*continued.*

Chairman—continued.

imprests of the last quarter of the year, not of the whole year?—Of the first quarter of the year, that is to say, the months of April, May, and June. We get the account of the April imprests in July or August; we have not examined that quarterly account until the 1st of October; so that as a rule no portion of the imprest accounts can come into record until the last six months of the year.

Mr. *O'Reilly.*

560. The Chairman asked you not merely as to the last quarter's, but as to any part of the year's expenditure?—No part. Any money issued on imprest on the 1st of April will be placed on record on the 1st of October; that rule goes right through the year.

Chairman.

561. As I understand it, imprests are not recorded for some six months after the money has been paid?—No.

562. But that is uniform?—Yes.

563. Consequently, there will always be imprests being recorded all the year round?—Certainly, we are always six months in arrear in the record beyond the date of imprest.

564. That would not make the work additionally heavy at one period of the year; if the record of those payments is always six months late, it would appear that there would be a similar amount of work at all times of the year?—The explanation is simply this: we are compelled to get in the March account by the 30th of September: we are obliged to do that by the rules of this House.

565. You have six months in that case?—Yes.

566. Why is it necessary then that there should be an additional pressure of work at one particular portion of the year, if there is always six months delay in getting these imprest payments recorded?—As I have shown you, none of the imprest expenditure of the year could be recorded before the 1st of October, but inasmuch as we have, up to the 30th September, to get on record the whole of the imprest expenditure made previously to the 1st of April, we have six months after date to examine the accounts, and render them to the book-keeper. We get the examination forward as quickly as we can, but it always presses us at the end of the time allowed. We are excessively undermanned in our office, and there is always a scramble to get in the accounts at all, and at the last moment when the Parliamentary limit comes upon us the pressure is put on, so that as a rule the men do not go on leave until that is done.

567. You will do all you can to diminish this delay?—Yes; we have no object in delay as accountants.

Mr. *O'Reilly.*

568. (To Mr. *Ryan.*) Do you know if it is the case in other Public Departments that no part of the imprest account of the month of April would be placed on record until the 1st of October?—I should say certainly not. The accounts are rendered to us, in the case of the Civil Services, month by month, and each monthly account contains the payments as they have been made. In the case of the Civil Services no stated time is fixed

ARMY APPROPRIATION ACCOUNT—*continued.*

Mr. *O'Reilly*—continued.

before any sum advanced is taken up and settled, and recorded. It is a work proceeding from day to day. (Mr. *Milton.*) The necessity for the delay in our case will be obvious to you, when I tell you that the account from the Paymaster of what he received on the 1st of April is not in the War Office until the 15th of August. We send out money to the Paymaster in April, May, and June; he has a month or six weeks to render his account. We first receive his pay-list in August.

569. You do not receive an account of an imprest on the 1st of April until that time?—No imprest of money issued on the 1st of April to a Paymaster rendering quarterly accounts will come into record, as a rule, until the 1st of October.

Chairman.

570. But during those intervening months the imprests of the previous financial year are being recorded?—In order to comply with the rule of this House the imprests up to the close of the financial year are being pressed in before the 30th of September, and after that the men go on leave, and then they begin the examination of the accounts of the first quarter of the next year, and, as a rule, not any large portion of that expenditure is put on record on the 1st of October. It is quite clear that we must complete our March accounts first, and when that is done the men go on leave. They go off in September like a flock of partridges as soon as that account has gone in, and afterwards they begin the examination of the accounts up to June for the current year, and get them recorded as fast as they can. When the examiner has examined the account received in August, for example, he sends his queries to the Paymaster, supposing him to be in this country, and gets his answers, and not until he has got his answers can he close his account, and send it to the book-keeper to be recorded. In the case of accountants abroad, that would delay the record so long, that we close the account before getting the answers; we do that in order to close the account before the end of the year for the purposes of the Parliamentary Account, and we make the disallowances afterwards.

571. In paragraph 5 of the Comptroller and Auditor General's Report, he states that it appears that the Accounts of the Commissioners of Chelsea Hospital had not undergone a detailed examination at the hands of the War Office, nor at the hands of his department; can you state whether those accounts have been examined by anyone?—You will see my letter annexed to the report; it quotes a Treasury letter on the subject; those accounts were formerly rendered to the Audit Office direct.

572. When?—Before 1856, I think. The Treasury letter is dated in 1857; that gives the date. The Treasury then desired them to be rendered through us, but they told us in a letter which is set out by us in our reply to the Comptroller and Auditor General that we were not to examine those portions which the Audit Office had not examined before, namely, the expenses inside the building at Chelsea, and Kilmainham, with respect to which the Chelsea and Kilmainham Commissioners are supreme distributors of their own money. We have followed exactly the course which was followed by the Audit Office before they gave the accounts up to us.

573. I asked

ARMY APPROPRIATION ACCOUNT—*continued.*

Chairman—continued.

573. I asked whether you knew whether these accounts were examined anywhere?—They are only so far examined as this; I do not know whether you would term that examined; they are paid upon the order of the three Commissioners of the Hospital, and there was no appeal from that, or further examination. But under an Act of last year, the whole thing is put on an entirely different footing, and there is now a complete audit.

Lord *Eslington.*

574. I observe that the Vote for Chelsea Hospital is a Vote in a lump sum; there are no subheads at all attached to it?—That is so.

575. So that so long as that Vote is not exceeded you are satisfied?—Yes; and provided we have the signatures of the three Commissioners.

576. As authority for a payment?—Yes.

577. Until this matter was called to your attention by the Comptroller and Auditor General you had not satisfied yourselves with regard to the vouchers?—We have not taken any action upon this report of the Comptroller and Auditor General, because it was not received by us before it was placed before your Committee; but previously to that an order was given by the Treasury that the accounts of Chelsea Hospital should be subjected to the same audit as any other account, and an Act of Parliament was required to enable that to be done.

Chairman.

578. From paragraph 6 of the report it appears that there was a considerable balance stated to have been outstanding on the 30th September 1876, on the Indian Contingent Account; but although that has ceased to be a current account since March 1874 you stated that it "is necessarily kept open in the War Office, though long ended, pending the examination and final audit at the India Office;" are you able to say what is the cause of the long delay at the India Office which has resulted in keeping this account open?—No; but this consists of what I may call the odds and ends of the larger account rendered to them, and as they have not yet audited the larger Account of 1870–71, of course they would not yet be able to close the account of odds and ends up to 1874.

579. Has the delay with respect to the Account of 1870–71 been owing to the inquiries by this Committee?—I think the auditor at the India Office has still got those accounts in hand, for within the last few weeks he has raised a question which will call in question a great number of the charges in that account, therefore the audit of that account can only be beginning.

580. It appears from paragraph 11, that on the 17th October the Comptroller and Auditor General wrote to the War Office "relative to the accommodation to be provided for the staff of examiners to be employed on the new work," and that no reply to that letter had been received by him up to the date of his report; can you state whether any reply has yet been sent?—No, I cannot; I believe the purchase of Winchester House is still incomplete, but, of course, as accounting officer, I know nothing at all about that. Of course, the purchasing of a freehold is often a very slow affair.

ARMY APPROPRIATION ACCOUNT—*continued.*

Mr. *Welby*, C.B., Mr. *Ryan*, and Mr. *Milton*, C.B.

18 April 1877.

Chairman—continued.

581. (To Mr. *Ryan.*) Have you yet received any reply to that letter?—No, we have not.

582. Can you inform the Committee at all when Winchester House is likely to be available for the officers of the Audit Office?—No; it is the Treasury who are completing the purchase, not we.

583. (To Mr. *Welby.*) Winchester House has been purchased, has it not?—Yes, the purchase is now complete; I believe the money has been paid upon it. (Mr. *Milton.*) Then the fitting up of it will take some time; that business will be in the hands of the Board of Works.

584. (To Mr. *Welby.*) Shall you be able to state before the Committee concludes its inquiries when Winchester House is likely to be available?—I will endeavour to obtain the information.

585. (To Mr. *Milton.*) From paragraph 15, it appears that the Comptroller and Auditor General asked for a schedule or "codified statement of the rates of all regimental, staff, and departmental allowances, together with the authorities under which they are paid." He was informed on the 4th September last that his application would receive "due consideration," but he does not appear to have received any reply since that date. Are you aware whether any further answer has been sent to him?—I suppose not; I do not know whether the Committee are aware of the enormous magnitude of the request; one might as well ask to have a digest of the statutes at large supplied within 24 hours.

586. Have you never had any such codified statement yourselves at the War Office?—No; we have had schedules for particular purposes; for instance, the examiner of the Mauritius accounts has a schedule of the rates of pay and allowances applicable to the different arms of the service and the different ranks of the officers and men serving in that Colony; and the Mauritius accounts are carefully examined by that schedule; and so on with every station all over the world; but to make out a general codified statement for every arm of the service, and every rank in the Army, of all rates and allowances, for all seasons of the year, would involve an enormous amount of work. The Audit Office has had unlimited access to every one of our papers, every one of our returns, and every one of our schedules. I should be sorry to say how many hundred pounds it would cost to make out such a codified statement as the Auditor General has asked for, and I do not know where we should get the money to do it. We have been 12 years upon our Allowance Warrant, which is not yet settled.

Mr. *O'Reilly.*

587. You say that your examiner of the Mauritius Accounts has a schedule before him of Mauritius allowances?—Yes.

588. With regard to other accounts; Home Accounts, where there is apparently, or there may be, a doubt as to which is the existing authority among your own Warrants, has the examiner in all those cases got a schedule before him stating what is the latest authority on each point?—Yes, he has the latest circular or whatever it is applicable to the account which he is examining.

589. Are there not cases in which the latest circular for one branch of the service does not

Mr. *Welby*, C.B., Mr. *Ryan*, and Mr. *Milton*, C.B.

18 April 1877.

ARMY APPROPRIATION ACCOUNT—*continued.*

Mr. *O'Reilly*—continued.

cover the question of an allowance which is claimed under an old Warrant of many years ago?—If the old Warrant is obsolete, no claim can arise under it.

590. What is the oldest Warrant under which allowances are drawn now?—Of the date of 1846, I think, but that is exceptional. That was a Warrant of the Guards; it was not published to the Army.

591. There was one a little later, was there not?—In 1848 an effort was made to get the whole into one volume; but the Warrant I have referred to in the case of the Guards was omitted, because it was not a warrant published to the army. Since 1848, that has been our standing work. When it was endeavoured to codify the pay and allowances, and non-effective charges of the whole army, the work was found to be so enormous, that we have got out only one volume, which was published in 1870, and that relates to pay only; the allowances are still on the anvil.

592. The Warrant of 1848 is still the authority for a very large proportion of the allowances, is it not?—Yes, I think it is.

593. Has it not in individual instances, or for certain portions of the service, been modified or altered by subsequent warrants?—Yes, largely.

594. Have you not for your own purposes prepared a statement of how it has been so modified; has one of your examiners, when examining allowances which would have come originally under the Warrant of 1848, got before him a schedule of the Warrant of 1848, with statement showing how it has been modified?—Yes, certainly, each examiner in the case of each arm at each station.

595. Then there is a schedule or form, setting forth the Warrant of 1848, with marks showing where it is modified?—Yes.

596. Were those schedules or forms supplied to the Auditor General?—Copies of our circulars are at his disposal.

597. I quite understand that he has at his disposal, what I may call the library of circulars, to make out for himself how far each circular changes the Warrant of 1848, but you have done that in your own office, and each man there has a schedule before him, showing it, without his having to search through the library of warrants and circulars for the purpose?—Not each man.

598. Each branch?—Yes.

599. Was that supplied to the Comptroller and Auditor General?—No; that is necessary for the working of the examiner; he must have it before him, it cannot be spared. We shall build up a code as fast as we can. We have laboured to codify our warrants, and we shall be happy to give the Auditor General a copy of the old code, in addition to the new warrants. You have no conception of the ramifications of these things.

600. What I mean is this, for the purposes of your own examination, you have in each branch codified and drawn out the old warrant with the modifications which have since been introduced into it?—Yes.

601. Could you not supply the Comptroller and Auditor General with a copy of that which you have prepared for your own purposes of examination in each branch, that is to say the old warrant, as you have it for your own use, with the modifications marked upon it?—Yes, we could.

602. Would not that be a great assistance to him instead of sending him to search through what I have called the library of warrants and circulars, for the modifications?—I think not, because the Comptroller and Auditor General is not taking up the whole of the votes in each year, but he is taking up a certain selected portion of them. If he will tell us what particular information he wants, we will at once give it to him; but to give him the warrants as modified for the whole of the votes would involve enormous labour, and a great part of it would be unnecessary.

Mr. *Seely.*

603. Is there not a Royal Warrant of 1870, which supersedes preceding warrants?—Yes, I said so, but only for the pay, not the allowances.

Lord *Eslington.*

604. In your opinion would the preparation, although admittedly very costly, of a codified statement of this description, lead to a considerable saving of labour within your office itself in the long run?—I do not think so. Of course nothing is better than a clear code of regulations, when you can get it, but the difficulty in the case of the army arises from the enormous mass of men there are all over the world, and the varying circumstances, which render a modification of a code necessary every day of the year; we are altering it every day.

605. In your opinion the result would not be worth the cost?—No; if the House of Commons would give us the money for it, we should be very glad, indeed, to have a code.

Chairman.

606. You say that this Warrant of 1870 for the pay has taken several years in preparation; what amount of labour has been devoted to the purpose?—I believe one step towards it was the calling in of a Chancery barrister; Mr. Hughes commenced the codification in 1865; I was at it myself when I went out to the Crimea, in 1855; I was employed with an assistant solely on that work, in 1855, when I was sent off on more active service. Then it dragged its slow length along till 1865, when Mr. Hughes was called in and commenced the codification, but he gave it up a year or so afterwards, and in 1870, after a Committee had been sitting from day to day upon it, it was published.

607. And no further steps have been taken to codify the allowances since that time?—Yes, there has never been any cessation of the endeavour to codify the allowances since that time. A committee has been sitting ever since 1870 upon the allowances. They have not made much progress. I only remember one new project which the committee agreed upon, and that was instantly refused when it was sent to the Treasury.

608. Then, although a committee has been sitting incessantly since 1870, no further progress has been made in the matter?—No further progress has been published beyond one or two warrants on separate allowances, but considerable progress has been made in completing the code.

609. Would

ARMY APPROPRIATION ACCOUNT—*continued.*

Mr. *O'Reilly.*

609. Would it not be easier to codify and arrange the allowances for all the home stations first; would not that be much less complex than the code of allowances for all the foreign stations?—Yes, it might be issued in that way, certainly.

Lord *Eslington.*

610. You observe that the Comptroller and Auditor General distinctly says that the delay in obtaining this statement, which would appear likely to be prolonged for some time, will absolutely "preclude the application of the test to a large and important portion of the Army Account." It seems to be, in his opinion, almost a bar to the test audit?—Yes. (Mr. *Ryan.*) The meaning of the paragraph in question was, that if we had waited until we received a codified statement, we could have done nothing, but that under the circumstances we thought that it was incumbent upon us to endeavour to do what we could with the materials at our command, and consequently we were doing it.

611. It is not a general statement, then?—No. Of course, by employing a staff for the purpose, we can make out partially for ourselves that which we thought must have existed already in the War Office in some shape, and which, if it had been given to us, would have saved us a great amount of labour. We thought that probably the War Office had for themselves some method of codification which they could have referred us to, and which would have helped us immensely.

612. I presume that practice in this particular branch of examination will materially facilitate the work of your clerks. As they become more experienced it will not give them so much trouble?—We have employed a small number of officers (we have only a very small staff to devote to the purpose) in compiling what may be called guide books or handbooks; such as we have for every account which we examine. Our practice is to make a history of every account, and to have an index of all the authorities relating to it; so that when an account is transferred from one examiner to another, the second man has not to commence the work all over again, but starts with a ready-made history of the account. We have been endeavouring to do that with the War Office Accounts.

Mr. *O'Reilly.*

613. Would it assist you in doing that if you were supplied from the War Office with what Mr. Milton says he could supply you with, a sort of index?—Anything in the shape of a code, or an abstract, however rough or rudimentary, would be an assistance to us.

Chairman.

614. By the time you have gone through the various accounts of the War Office you will have made a kind of code for yourselves?—We hope so.

615. (To Mr. *Milton.*) In paragraph 24 the Comptroller and Auditor General calls attention to various payments which "have been made under Treasury authority when that authority has been at variance with Royal Warrant;" do you agree with that opinion?—Yes; they are all instances in which we have obtained the sanction of

ARMY APPROPRIATION ACCOUNT—*continued.*

Mr. *Welby*, C.B., Mr. *Ryan*, and Mr. *Milton*, C.B.

18 April 1877.

Chairman—continued.

the Treasury to increase what was given by warrant. At the time when this report was written, no Royal Warrant had followed, but when there is Treasury sanction these arrangements do not immediately require a Royal Warrant. A Royal Warrant is not an authority for expenditure; it is a mode of making known to the army what expenditure has been authorised. If we had the consent of the Treasury we might proceed without waiting for a Royal Warrant.

616. You consider that with Treasury consent a Royal Warrant might be over-ridden?—No; we require Treasury consent to alter any Royal Warrant.

617. But you consider that while a Royal Warrant is standing, you can, with Treasury consent, over-ride it?—Yes, we can increase the allowances given under it with the Treasury consent. If the Treasury consent to our giving an officer certain pay, we give him that pay. The preparation of the Royal Warrant may take a year or two, or even three years, and in some of the cases mentioned here it seems to have occupied a long time. Take, for instance, the payment of 1,500 *l.*, instead of 1,000 *l.*, to the Governor of the Royal Military College; the Treasury consent was obtained to that, and he, after there had been considerable delay in getting that consent, received from that date the 1,500 *l.* a year; that was in 1873. The re-organization of Sandhurst went on; it was a very elaborate work, and a Royal Warrant, which included not only this officer, but all the other officers also, came out only last year.

618. Some of these payments go back still further?—Yes, to 1872.

619. That is four years?—The Treasury consent seems to have been acted upon, but the Royal Warrant was only drawn last year. We have no objection to getting Royal Warrants, and we have no difficulty in getting them. We are very glad that this slip was pointed out, and we immediately rectified it. As I have said, we have no difficulty in getting Royal Warrants, the difficulty, of course, is to obtain the sanction of the Treasury to the expenditure. When that is given, the Royal Warrant follows as a matter of course, but in these instances that formality had been omitted.

Lord *Eslington.*

620. After a Royal Warrant has received the sign manual, is it then competent for the Treasury to overhaul that Warrant, and introduce alterations into it?—It is only after it is a Royal Warrant that they can alter it. We are altering our Warrants every day, with the consent of the Treasury. The Pay Warrant of 1870 has been altered necessarily by other Royal Warrants, and that will be the difficulty in 1880, or wherever the Allowance Warrant comes out; the least alteration afterwards will require a new Warrant in order to make it formal. In the very case I have just alluded to, the Sandhurst Military College, it never was under Warrant until recently. In fact, I may say that for two-thirds, or, at all events, upwards of a half of our expenditure, there is no Royal Warrant at all. Upwards of half of this expenditure of 15,000,000 *l.* is not made under Warrant at all. A Royal Warrant is that which makes it known to the army what their rates and allowances, and grants of various kinds are; but

Mr. *Welby*, C.B., Mr. *Ryan*, and Mr. *Milton*, C.B.

18 April 1877.

ARMY APPROPRIATION ACCOUNT—*continued.*

Lord *Eslington*—continued.

the whole of the expenditure connected with the manufacturing departments, and the whole of the expenditure for stores and for the Civil Departments, are not under Warrant.

Chairman.

621. What I asked was, whether you considered that when there is a Royal Warrant regulating the pay and allowances, the War Office has the power with the consent of the Treasury of adding to the emoluments granted by that warrant?—Yes; but as a matter of formality as soon afterwards as convenient, unless the matter is lost sight of, as in the instances mentioned here, we proceed to amend the Royal Warrant by another Royal Warrant. We do not hold that anything can finally amend a Royal Warrant but a Royal Warrant.

Lord *Eslington.*

622. For instance, if the rates of pay are increased, that would of necessity require a new Warrant; is not that so?—Yes, that would be followed by a new Warrant.

623. Would those increased rates of pay be payable until such new Warrant had been obtained?—Yes, awaiting the issue of that Warrant. For instance, many Warrants have an antedate given to them; they take effect sometime prior to their own actual date, in order to cover the period when payments were issued after the sanction was given, but before the Warrant itself was formally signed.

624. To that extent the new Warrant would be retrospective?—Just so.

Mr. *Cubitt.*

625. Is Treasury sanction to an increase of expenditure necessary for a Royal Warrant?—Yes, a Royal Warrant is an announcement of an increase of grant by the War Office, with the consent of the Treasury.

Mr. *W. H. Smith.*

626. In other words, a Royal Warrant is a formal record of an agreement between the War Office and the Treasury as to an increase of expenditure sanctioned by the Government?—It is a formal record or a formal publication; the great object of it is to publish it to the army.

627. A legal record and publication?—Yes, and if the system of Royal Warrants for Army Payments was abolished to-morrow, the control of Parliament over Army Expenditure would not be affected in the slightest degree; they have been abolished, I believe, for the Navy Payments long since.

Chairman.

628. (To Mr. *Welby.*) When the Treasury sanction was given to the various increments, was it upon the supposition that a Royal Warrant would be issued forthwith, or was it done in ignorance of the existence of any Royal Warrant to the contrary?—The Treasury have always considered that it was not their duty to see when a Royal Warrant was necessary, or that it was obtained. When those cases were brought before them, they considered each application upon its merits as to whether the increased expenditure ought to be sanctioned or not. That was in accordance with a regulation laid down in a

ARMY APPROPRIATION ACCOUNT—*continued.*

Chairman—continued.

Treasury Minute of November 1870, that no change in a Royal Warrant should be proposed to the Queen involving increased expenditure, unless Treasury sanction had been first obtained. When they had decided that that increased expenditure was justifiable, they gave their consent, and they were *functi officio.* It was then for the War Department to take the necessary steps to obtain the formal document from the Crown, authorising the change of the regulations.

629. Do you consider that it is within the competence of the War Office to pay salaries and allowances beyond those sanctioned by Royal Warrant?—As far as I am aware, this question as to the power of War Office to set aside or go beyond a Royal Warrant has never come before the Treasury until this report of the Comptroller and Auditor General was made.

Lord *Eslington.*

630. Would the Treasury in any case sanction an increase of pay or allowances beyond what might be covered by savings upon the other Votes; that is to say, would they ever sanction an excess upon the whole Vote in the shape of increased pay or allowances?—The Treasury have the power of sanctioning an increase of expenditure, but under no circumstances would they consider themselves justified in sanctioning an increase of expenditure which would involve an excess upon the whole Vote.

Chairman.

631. (To Mr. *Ryan.*) Have you anything further to say upon this point?—Only this. The Audit Office understood that in applying this Test Audit it was their duty to see whether all authorities which were necessary for any expenditure had been obtained. We hold that if a Royal Warrant was necessary, an amending Royal Warrant should have been issued for any change, whether the War Office had the sanction of the Treasury to the change or not.

Mr. *Seely.*

632. (To Mr. *Milton.*) I should like to ask you how long the extra sum of 50 *l.* a year has been paid to the Professor of Tactics at the Royal Military College contrary to Royal Warrant?—It has been paid in excess of Royal Warrant from that date to this; no new Royal Warrant was obtained in that case; it was a temporary arrangement.

633. There was a Treasury Letter, dated 25th July 1872, giving Treasury sanction to the increase; was that the first one?—Yes, that was the first one.

634. Can you tell the Committee when that Professor of Tactics at the Royal Military College was first paid 450 *l.* per annum instead of 400 *l.*?—I have no doubt he was so paid from the date of the Treasury Letter.

635. And the same in every case mentioned in this paragraph?—Yes, I have no doubt it was the same in every one of those cases.

636. Then those various sums have been paid in excess of Royal Warrants up to this time?—Yes.

637. No Royal Warrant has been obtained authorising them up to this time?—For some of them

ARMY APPROPRIATION ACCOUNT—*continued.*

Mr. *Welby*, C.B., Mr. *Ryan*, and Mr. *Milton*, C.B.

18 April 1877.

Mr. *Seely*—continued.

them we have obtained a Royal Warrant this year or last, but one of them, at any rate, is still without a Royal Warrant.

Mr. *O'Reilly.*

638. In a case in which the rate of pay was fixed by Royal Warrant would the War Office, if they made an application to the Treasury to increase that pay in the course of the current financial year, feel themselves justified, having received that sanction, in raising the pay of a particular officer, such as the one mentioned here, before any increased pay was voted by Parliament?—Certainly, always taking care that the total amount of the Vote was not exceeded.

639. Then in fact, if the Estimates had been presented to Parliament for any year, making an allowance of, I will say, 400 *l.* for the payment to any particular officer, a new officer might be appointed with an undertaking to pay him 450 *l.* a year, and that sum might be paid, and he might be installed in his office before Parliament knew anything about it, and Parliament might be called upon either to pay the salary of 450 *l.* a year or to break the arrangement which had been entered into with the officer?—No doubt, and that is done every day, and must be done. The Estimates laid before the House of Commons are the Minister's best forecast as to how he thinks he will in the coming year best spend that amount of money. So long as he does not exceed that total sum he would be justified in making an alteration such as I refer to, with the sanction of the Treasury. In fact, I maintain that the elasticity of the service would be utterly destroyed if he had not that power. If you tied up a minister so that he could make no alteration in the course of a financial year in the Estimates which were framed six months before the year began, you might lose a kingdom.

Chairman.

640. From paragraph 25, it appears that the pay of a Deputy Quartermaster General was at the rate of 1,200 *l.* a year for the year 1875-76, and that the pay of his rank being 1,000 *l.* a year, the Treasury consent to the additional 200 *l.* a year was only given on the 27th of January 1877?—No, that is not quite the position of things. The Treasury sanction was given before the pay was granted at all. There is a little mistake in the Comptroller and Auditor General's view here; he states that the Warrant provided for a Deputy Quartermaster General at 1,000 *l.* a year; that is not the case. There was no provision whatever in the Warrant for that office; the Warrant gave 1,200 *l.* a year for a Deputy Adjutant General, and when the Intelligence Department was formed the Treasury consented to allow the officer at the head of that Department 1,200 *l.* a year, and he was classed as a Deputy Adjutant General, and placed at the Horse Guards. In the course of a very few months it was found that that work was Quartermaster's work, not Adjutant's work, and he was transferred to the branch of the Quartermaster General, but still, of course, continued in the salary which the Treasury had given him as head of the Intelligence Department, namely, 1,200 *l.* a year.

641. It was the same officer doing the same work?—Yes, it was the same officer doing precisely the same work, but he was attached to the Quartermaster General instead of to the Adjutant General. When this was pointed out, the Comptroller and Auditor General said, You have by the Warrant provided only 1,000 *l.* for a Deputy Quartermaster General at head quarters; now there was no provision whatever in the Warrant for a Deputy Quartermaster General at head quarters; the Warrant ran: Deputy Adjutant General 1,200 *l.* a year; Deputy Adjutant and Quartermaster General (composite officer), 1,000 *l.* a year; but there was no such officer at head quarters. Since this observation was made by the Comptroller and Auditor General in a query to me, we have pointed out the omission to the Treasury, and obtained Treasury sanction to the appointment of a Deputy Quartermaster at head quarters, and a consequent Royal Warrant dated 16th February 1877, so that there are now under Warrant a Deputy Adjutant General, and a Deputy Quartermaster General at the Horse Guards, each with 1,200 *l.* a year.

ARMY APPROPRIATION ACCOUNT—*continued.*

Chairman—continued.

642. (To Mr. *Ryan.*) Have you anything to observe upon that?—Nothing except this, that whatever the irregularity was, the War Office considered it necessary to amend it, and did amend it, upon its being pointed out.

Mr. *Seely.*

643. Will you state what are your grounds for supposing that a Royal Warrant cannot legally be altered, except by another Royal Warrant?—We presume that it will require a document of equal authority to alter a document which exists. If a thing is prescribed by Act of Parliament, we should maintain that it could only be altered by Act of Parliament, and consequently, by parity of reasoning, that any authority whatever which exists can only be altered by the same authority.

644. Or by a higher?—Yes, but not by a lower one.

Chairman.

645. (To Mr. *Milton.*) Have you any observations to make with respect to the pay of the superintendent of the riding establishment at the cavalry depôt?—We have got Treasury sanction for that. This cavalry depôt included a riding establishment, and when the cavalry depôt was abolished, and left out of the Warrant, it was not noticed that the riding establishment was also, in fact, left out. The service has never ceased, and we have lately got Treasury sanction for making a temporary arrangement, which is still cheaper.

646. From paragraph 27 it appears that a portion of a Royal Warrant was cancelled by an Army Circular; by what authority is an army circular issued?—Army circulars, if involving expense, are never issued until Treasury sanction has been obtained; if they relate only to details of equipment, and so on, they are issued by War Department sanction alone, but whenever they would cause an excess of expenditure, Treasury sanction is obtained.

647. Do you consider that if Treasury sanction is obtained when necessary, an Army Circular can cancel a Royal Warrant?—No, we admit at the War Office that no Royal Warrant can be removed or cancelled except by a Royal Warrant, but we maintain that there is nothing legally to prevent our making expenditure beyond a Royal

Mr. *Welby*, C.B., Mr. *Ryan*, and Mr. *Milton*, C.B.

18 April 1877.

ARMY APPROPRIATION ACCOUNT—*continued.*

Chairman—continued.

Warrant temporarily, until a new Warrant is obtained.

648. Was this done with the intention of obtaining a new Royal Warrant; it appears that this was done in 1856?—It is not under me; it is under the Surveyor General; I have no doubt he will get a Royal Warrant to cover the lapse of 20 years. The obtaining a Royal Warrant is only a matter of formality, and there is not the least trouble in getting one.

Lord *Eslington.*

649. Am I right in supposing that an Army Circular might be described as instructions issued under the authority of the War Office, and of course the Commander in Chief, as to how to carry out Royal Warrants?—Yes, most of our Circulars are exactly of that character, much of our expenditure is independent of Royal Warrants. Some of our Circulars carry increased expense, but they are mainly instructions from the Secretary for War for carrying out Royal Warrants.

650. But I understand that when they relate to expense they cannot be issued without Treasury sanction?—The rule is that they are never issued without Treasury sanction in those cases.

651. Do you agree with the opinion expressed by the Comptroller and Auditor General to the effect that a Royal Warrant can only be cancelled or amended in whole or in part by a Royal Warrant?—Yes, I agree in that entirely.

Mr. *Seely.*

652. Do you agree with the Comptroller and Auditor General that during the last 20 years large sums have been paid in excess of the rates authorised by Royal Warrants?—Yes, certainly; my own opinion is that the Comptroller and Auditor General has nothing to do with the Royal Warrants whatever. The Comptroller and Auditor General is a Parliamentary officer whose duty it is to see that the expenditure is authorised by Parliament or by the Treasury; but with Royal Warrants he has no dealing. I say so because Parliament itself has no dealing with them.

Chairman.

653. You say so because Royal Warrants are not submitted to Parliament?—Royal Warrants are not submitted to Parliament, and should not form any part of the Comptroller and Auditor General's examination.

Mr. *O'Reilly.*

654. What, in your opinion, is the authority which ought in all cases to be presented to the Comptroller and Auditor General to justify expenditure?—He is in all cases entitled to see that it is either expenditure voted by Parliament, or expenditure sanctioned by the Treasury. The easiest mode for him to know that Treasury sanctions exist is by our Warrants, which he may take, with some exceptions, as showing that we have got Treasury sanction originally. He has only to deal with the Warrants as the Army have, as publications of Treasury consent to War Office proposals.

Lord *Eslington.*

655. I presume you hold in the War Office that a Royal Warrant is prepared, executed, and

ARMY APPROPRIATION ACCOUNT—*continued.*

Lord *Eslington*—continued.

issued under the responsibility of the Secretary of State alone, is that so?—It is; he countersigns every Royal Warrant, and is responsible to Parliament for not submitting it to Her Majesty without Treasury sanction having been obtained.

Mr. *O'Reilly.*

656. Of course we know that Parliament does not distinguish the particular way in which large portions of your Votes are expended, the pay Vote for instance?—You have a schedule of every man and of every rate of pay.

657. The rates are not all scheduled, or at all events the allowances are not all scheduled?—Yes, indeed they are.

658. In the Army Votes?—Yes, in the Army Votes you have a schedule of every regimental establishment.

659. Where are the allowances scheduled in the Army Votes?—They are scheduled; I thought you spoke of pay, and what we call regimental allowances.

Chairman.

660. With respect to the allowances, what is the authority?—Parliament votes us half a million for forage, and the Treasury approves the schedule under which we issue it to every officer.

Mr. *O'Reilly.*

661. The schedule approved by the Treasury ought in all cases to be produced to the Audit Office, as the authority for the payment?—Yes; the Audit Office has the right to have a proof of that schedule having been sanctioned by the Treasury; and, having got that Treasury sanction, I maintain that they have nothing to do with the Royal Warrant.

Mr. *Seely.*

662. But if that rate of pay or allowance should happen to differ from the rate laid down by the last Royal Warrant, what, in your opinion, ought the Comptroller and Auditor General to do?—Nothing.

663. He ought to pay no attention to the Royal Warrant?—Certainly not, he has the Treasury sanction for the expenditure.

664. You think that the Treasury sanction for the expenditure can over-ride a Royal Warrant?—The Treasury sanction is the only authority which we have to alter a Royal Warrant.

Mr. *O'Reilly.*

665. In every case of a payment do you produce the Treasury sanction?—Broadly, I must say, yes, but this does not come within my functions at all.

666. I am not speaking of you personally, but of the War Office?—Broadly, yes. It may be discovered that some sixpenny rate has not been sanctioned, but I do not know that there is such a case.

667. In every instance in sending the accounts to the Audit Office, you would send with them the scale upon which the allowances have been made with the Treasury sanction attached, showing that the money had been spent under Treasury sanction?— Yes.

668. And you would hold that the Audit Office would be justified in disallowing any expenditure for which you did not show Treasury sanction?—

ARMY APPROPRIATION ACCOUNT—*continued.*

Mr. *OReilly*—continued.

sanction?—Not in disallowing, I think; in reporting it.

669. In reporting for disallowance by this Committee?—Yes, certainly.

Chairman.

670. It appears from paragraph 28 that certain small payments were made under the authority of a Royal Warrant of the 18th February 1874, which Royal Warrant does not appear to have received the Treasury approval before it was submitted for the Royal sign manual; do you know if that is the case?—From time to time we issue a *Corrigenda* Warrant containing alterations and corrections of misprints or verbal mistakes. In the first Royal Warrant we issued of that sort we found that we had omitted from the Warrant of 1870 these allowances which had existed before that date. They were in the old Ordnance Warrants, and they had not been picked up in the Warrant of 1870. It was, therefore, thought by no means wicked to put them into a *Corrigenda* Warrant without submitting them to the Treasury for sanction, considering that they had existed from time immemorial; but with regard to that *Corrigenda* Warrant we submitted various new things, having got Treasury sanction for them first.

Mr. *W. H. Smith.*

671. Your answer is, in fact, that there was no change whatever either by way of increase of establishment or by way of increase of pay to officers or servants who had been in receipt of these allowances before that particular Royal Warrant was issued?—Yes, just so; we merely picked up what we had dropped in framing the Consolidated Royal Warrant.

Chairman.

672. (To Mr. *Ryan.*) Have you any observation to make upon this?—We were not aware of the fact which has been stated by Mr. Milton.

673. (To Mr. *Milton.*) With respect to paragraph 29, it appears that certain payments there mentioned have not received Treasury sanction at all, is that the case?—Yes, Treasury sanction appears not to have been considered necessary. The first is a case of wages at 18 *s.* a week; we never go to the Treasury for their sanction to wages. The next case is that of a librarian receiving 20 *l.* a-year; it was not considered necessary to have Treasury sanction for that nor for the payment to the organist. Then we come to our officekeeper and our housekeeper, or rather housemaid; she was appointed by the Duke of Newcastle in 1854; for payments of that kind the Treasury sanction was not thought necessary. If the Committee will be good enough to look at these figures, remembering that each paragraph of the Auditor General's Report might begin with these words, "In an account of 15,500,000 *l.* the following sums have not been issued with Treasury sanction," the Committee would be better able to compare the magnitude of the accounts with the smallness of the objections.

Mr. *O'Reilly.*

674. You must remember that we are accustomed to see a good many accounts of large sums?—None so large as this; but I was referring rather to the smallness of the objections than to the largeness of the account.

ARMY APPROPRIATION ACCOUNT—*continued.*

Mr. *Welby*, C.B., Mr. *Ryan*, and Mr. *Milton*, C.B.

18 April 1877.

Lord *Eslington.*

675. These all come under Sub-heads of a particular Vote in the Army Estimate; is not that so?—Yes; the librarian and the organist are included in Vote 14 of the Army Estimates.

Mr. *W. H. Smith.*

676. I see that there is a provision in the Estimates for the organist at the Royal Military College?—Yes, he was provided for in the Vote; therefore as Parliament put him on the establishment, we were entitled to make this payment to him.

677. Speaking generally, each and all of these payments have received the sanction of Parliament?—Yes.

Chairman.

678. Have these payments all been in existence for some years?—Yes, I think so, without exception. I know that one, the housemaid, has been in existence ever since 1854.

679. If Treasury sanction is required in these cases I presume you will apply for it?—Yes, we will apply for it, and I think it will be given.

680. Have you any observation to make with respect to the various payments to warders in the Tower of London, mentioned in paragraph 30?—The Comptroller and Auditor General quotes a Treasury Minute requiring us to append a note in every case where an Officer receives various emoluments from public funds, but this man is not an Officer; he is a beefeater; therefore we should never think of appending a note of that kind to the Vote for his salary. There are hundreds and hundreds of non-commissioned officers and men who have various sorts of allowances. The committee-room would hardly contain the mass of printed matter if we were to print those out in full. The rule of printing all double emoluments cannot be held to apply to beefeaters.

681. Will you just explain why you consider a beefeater in a different position from any other person receiving a salary out of a Vote of Parliament?—I say he is not an officer, in the meaning of the Treasury Order. The Treasury required us in the case of "officers" who were receiving emoluments from more than one source to print the particulars, in order to let Parliament know that a man to whom, say 1,000 *l.* a year has been voted is getting 1,500 *l.* a year from various sources; but we have never been called upon to append such a note in the case of every beefeater or non-commissioned officer or private who is getting an additional allowance. There would be no room for those details.

682. (To Mr. *Welby.*) Did the Treasury Minute confine itself to officers?—The minute referred to was of the date of 15th September 1876. That minute applied to the Civil Services.

683. Was it not communicated to the Army and Navy Departments?—It was made under the recommendation of the Public Accounts Committee; it referred to the Civil Services, but I understand that it was communicated to the War Office. (Mr. *Milton.*) Yes, and we frame our estimates accordingly. (Mr. *Welby.*) I do not think the term "officers" in that minute implies only gentlemen in receipt of considerable emoluments; it is used in the ordinary sense of a person in the public service.

Mr. *Welby*, C.B.,
Mr. *Ryan*, and
Mr. *Milton*, C.B.

18 April 1877.

ARMY APPROPRIATION ACCOUNT—*continued.*

Mr. *O'Reilly.*

684. (To Mr. *Milton.*) You mean by an officer, a commissioned officer only?—Yes. These payments can be perfectly justified. There are some mistakes made about them in the Report. The Comptroller and Auditor General states in one case, "Reward for distinguished service, 5 *d.* a day;" that is not given for distinguished service at all; it is for coals; the man receives that sum to light a fire in the hall in the Tower. In the next item, 10 *d.* a day, this is not, as the Comptroller and Auditor General states, a reward for distinguished service; it is wages for opening the gates at five o'clock in the morning, a very unpleasant service, but not a distinguished service. Then we come to the Warder of the Tower Armouries. He gets 3 *s.* 10¼ *d.* if he goes round with parties in the day, in lieu of the fees which are now abolished, and in the same way the Warder of the Jewel House gets 1 *s.* 10¼ *d.*

Chairman.

685. Would it not be as well to consolidate the allowances to these Warders?—No, that would be attended with expense to the public, because if they were consolidated this Warder would get 3 *s.* 10¼ *d.* every day, whereas now he only gets it if he does the work in going round with parties. You may often pay too much for symmetry.

Mr. *W. H. Smith.*

686. There are a very large number of non-commissioned officers and privates employed in the public service, who in one way or another receive pay from various sources?—No doubt. I may say that this was a most exemplary man in every respect; he got to be serjeant major in his regiment, and there received the 20 *l.* annuity and the highest rate of pension.

Chairman.

687. There is no question as to whether he ought to be paid this amount or not?—No, the question is whether it ought to be stated under the various headings. This man became serjeant major, and his pay as such is one of these items; an annuity is another item; and in our Yeomanry and Militia Votes you would have to print the name of every serjeant with double emoluments if the proposed rule was followed out, for each man has always got his pension and often his annuity. We have always understood that the Treasury draw the line at commissioned officers, and anything beyond that would overwhelm our estimates.

Mr. *O'Reilly.*

688. You say that these payments are not for distinguished service, but that they are rewards for services done; is this man you have been speaking of in the Tower of London, named Thomas Bunyan?—Yes.

689. I have his certificate before me, in which he states that this payment is a "reward due to me for military services"; is not that probably the origin of the inaccuracy, if there is any, in this statement of the Comptroller and Auditor General?—I do not know what it is that you are speaking of.

690. Will you look at that document (*handing a paper to the Witness*); the Auditor has naturally taken his own word for it?—He is mistaken, that is all.

ARMY APPROPRIATION ACCOUNT—*continued.*

Mr. *O'Reilly*—continued.

691. You stated that instead of the fact being as it is stated in the Report of the Comptroller and Auditor General, that these payments are rewards for distinguished services, they are payments for certain work done in connection with the offices held by these men?—Yes, and for fuel.

692. The statement I have shown you is signed by the recipient himself, and in it he returns this as the amount of a reward due to him for "military services"; would not that probably be the origin of the inaccuracy, if any?—Most probably.

693. The Audit Office, in fact, took his own statement as to what the payments were?—Yes; but they have printed our own warrant at the end, so they need not have taken that. Evidently the man merely refers to the short title of the Vote under which the accountant was to charge the payment.

Chairman.

694. In paragraph 32 it is stated, "It appears that under the terms of a Royal Warrant of 28th January 1854, revising the establishment of the Garrison of the Tower of London, the money saved by the death of the Deputy Lieutenant should have been applied to increase the number of good service annuities. Of the sum so saved, however, 100 *l.* a-year has been granted, under Treasury sanction, 'for the pay of a substitute, who would act for the Lieutenant Governor in the absence of the major.'" Have you any observation to make with respect to that?—Yes, I have two observations to make: First, as I have stated before, in my opinion the Treasury sanction should have been sufficient for the Comptroller and Auditor General; and, secondly, the officer being dead, the 100 *l.* has now been converted into a reward for distinguished services.

695. This is a different case to the former one: here the Royal Warrant specifically allots the sum saved by the cessation of the pay of the Deputy Lieutenant to a special purpose; do you consider that the War Office, with the consent of the Treasury, have the power of over-riding that express Royal Warrant?—It should be clearly understood that the Royal Warrant never made any provision for what was to be done on the death of a Lieutenant Governor. The Royal Warrant gave the pay to the Lieutenant Governor so long as he lived, but at his death it was open to the Secretary of State either to appoint a new Lieutenant Governor, or to give the allowance to someone who would do the duties of Lieutenant Governor, or to say, "This shall cease to be a garrison appointment altogether, and the money shall go to distinguished service rewards." The Secretary of State determined to give the pay to an officer who did the duty.

696. It appears that the Royal Warrant is as follows: "Whereas it has been represented unto us that it is expedient to revise the establishment of our garrison of the Tower of London, our will and pleasure is that as vacancies shall occur in the present appointments of our said garrison, the following shall be the permanent establishment thereof, and the saving of expenditure which shall be thereby made shall from time to time be applied as rewards for distinguished military service;" I wish to know whether you consider that the War Office, with the consent of

ARMY APPROPRIATION ACCOUNT—*continued.*

Chairman—continued.

of the Treasury, has the power to over-ride that order of the Royal Warrant?—I do not consider that it is over-ridden. I consider that the Royal Warrant still leaves it for the Secretary of State to make what arrangements he thinks right upon an expected death, but *if* any saving arises from that arrangement it is to go to distinguished service rewards.

697. This Royal Warrant has decided what is to be the future permanent establishment of the Tower, and it is further provided that any savings which may arise shall be devoted to the fund for rewards for distinguished military service?—Yes, but no saving did arise. When the death of the Deputy Lieutenant took place the Secretary of State found it necessary to provide for the duties, and he continued the pay, giving it to the man who did the work. The moment he discontinued the pay to the working man he did turn it to the distinguished service rewards; he so turned it in June 1876.

698. (To Mr. *Ryan.*) Have you any observation to make upon this?—The paragraph in the Report was mainly founded upon the Treasury letter, which itself says that the "money saved by the death of the late Deputy Lieutenant, under the arrangement contemplated in the Royal Warrant of the 28th January 1854, would be applied to increase the number of good service annuities." The Treasury themselves in giving their sanction, seem to have admitted that they were doing that which was contrary to the Royal Warrant. (Mr. *Milton.*) I do not admit that at all. They said, You shall still employ this money for the purpose of getting the duty performed, and not until some other arrangement is made, and some saving has arisen, shall any increase be made to the distinguished service rewards.

Mr. *O'Reilly.*

699. Am I right in thinking that your view is, that they might have continued the Deputy Lieutenant and paid him as long as he lived, and that on the death of the Deputy Lieutenant they might have continued to give the same pay to someone else for doing the duties?—I think so, but I do not know whether it is a Deputy Lieutenant or a Lieutenant Governor, we are speaking about.

700. You will see the particulars in paragraph 31 of the Report; am I right in understanding that when the Deputy Lieutenant died, they might, in your view, have continued to pay the salary for the service done, and therefore there was, as you have expressed it, no saving?—Yes.

701. How, under the Royal Warrant, which is printed at page 24, could they have continued paying the salary of a Deputy Lieutenant, that Royal Warrant stating, that as "it is expedient to revise the establishment," "as vacancies shall occur in the present appointments," "the following shall be the permanent establishment," and in the permanent establishment there stated, I find no Deputy Lieutenant?—No, I do not see any Deputy Lieutenant provided for in the Warrant.

702. Then how could they have continued to pay for a Deputy Lieutenant, as you said?—They pay for the performance of the duties of Deputy Lieutenant. I said they had a right to

ARMY APPROPRIATION ACCOUNT—*continued.*

Mr. *Welby*, C.B.
Mr. *Ryan*, and
Mr. *Milton*, C.B.

18 April 1877.

Mr. *O'Reilly*—continued.

take that view when it fell in, and if they found it necessary to pay for some of the duties (which they did), they had a right to do so, and not until a saving had been effected was the Royal Warrant to come into operation, in favour of the distinguished service rewards.

703. The Royal Warrant settled what was to be the permanent establishment and what was to be the pay; you say that they might have gone on paying a Deputy Lieutenant under some other name?—Yes, with the sanction of the Treasury. I have explained that we have power to alter a Royal Warrant with the Treasury consent; in fact, we do so every day of our lives.

Chairman.

704. In this case you thought it was not necessary to obtain a new Royal Warrant?—No, the arrangement was of a very temporary character, and it has already ceased.

Mr. *Seely.*

705. The Comptroller and Auditor General says, "that although the allowance is granted for an officer who 'would act for the Lieutenant Governor in the absence of the Major,' it is, in reality, paid to the Major himself"; is that so?—I do not know how that was; I cannot say to whom it was paid; in fact, I believe the Warrant was incorrect, but the Warrant was not obtained by the War Office. My impression is that the Warrant to the Paymaster General was found to be incorrect; the Warrant is as old as 1854.

Mr. *W. H. Smith.*

706. You will have an opportunity of supplying any deficiencies which may exist in your evidence with regard to this question; I think, probably, you will find that the authority given by the Treasury in this case, was only to the extent of a payment of 2,117 *l.* 5 *s.* 10 *d.* a year, and that any excess of that expenditure would have required a revision of the Royal Warrant, even temporarily; at a future time you will be probably able to correct any misapprehension which may exist on the subject?—I am much obliged to you for giving me that opportunity. I think the Comptroller and Auditor General's statement is not correct here. If it is thought worth while to pursue it further, we will see what the fact is.

Chairman.

707. By paragraph 33 it appears, that by the Royal Warrant of 1870, "it was ordered that a sum of 21,500 *l.* should be yearly distributed in annuities among officers of all branches of our regular army, as rewards for distinguished or meritorious services; officers shall be recommended for such annuities by our Commander in Chief, for the approval of our Secretary of State;" and the Comptroller and Auditor General says, "It appears, however, from the Annual Estimates, that a considerable portion of this charge is applied to the remuneration of persons who, as holders of the inferior appointments of warders, porters, &c., connected with the garrison of the Tower of London, cannot be considered as officers falling within the meaning and inten-

Mr. *Welby*, C.B., Mr. *Ryan*, and Mr. *Milton*, C.B.

18 April 1877.

ARMY APPROPRIATION ACCOUNT—*continued.*

Chairman—continued.

tion of the Warrant"; have you any observation to make with respect to this?—Only that an erroneous impression is conveyed by that statement. It would seem as if we had grafted the garrison on the distinguished service money, the exact contrary being the case. Formerly, this amount, and a good deal more, was given in Garrison appointments, which were in most cases sinecures. I can remember a number of Fort Adjutants who were paid out of that Vote; the Governor of Dungannon Fort was preserved in our pay list for 100 years after the fort had disappeared. It was determined as these appointments fell in from the garrisons, that they should be converted into distinguished service rewards; but the Tower appointments have not fallen in, and therefore they still form part of the charge upon the Vote.

708. They are running on?—Yes, they are as old as the Tower itself. All the others being sinecures, have been abolished, and the proceeds not taken away from the army, but given to the army in the shape of annual sums for distinguished service rewards.

709. Then the sum of 21,500 *l.* was made liable to deductions for the life interests of these persons?—Yes, and so long as these appointments in the Tower are continued the whole of the 21,500 *l.* is not given in annual rewards for distinguished service, but the unabsorbed expense of the Tower is included in it.

710. (To Mr. *Ryan.*) Have you any observation to make upon this subject?—No, except that that was not our reading of the Warrant.

711. You thought that the 21,500 *l.* was a clear sum applicable to rewards for distinguished service?—Yes, we thought that the 21,500 *l.* was a clear sum which should be devoted to the rewards of officers, and I may also observe that the warders and porters, and so on, in the Tower, are not officers in the sense in which the word is used in the Royal Warrant; they are non-commissioned officers, and they receive rewards under the non-commissioned officers' vote, so that the officers distinctly lose any portion of the 21,500 *l.* that is so given to them. (Mr. *Milton.*) The first duty of the War Office was to provide out of the 21,500 *l.* for the garrison service, and when that ceased it was directed that the savings might be divided amongst the officers of the army as rewards for distinguished service.

Mr. *W. H. Smith.*

712. I understand you to state that the War Department would consider an appointment to the Tower of London as a reward for distinguished service?—I do not say that; although in practice it is so generally. What I say is, that the original expense was for the service of these garrisons; after the garrisons became sinecures the appointments were abolished, and the money thus saved was used for rewards for past service instead of pay for present service; but as regards the porters and beefeaters at the Tower, the service must still be performed, and must still be paid for. I carefully guarded myself from saying that the appointments at the Tower may be considered to have been given only as rewards for distinguished army service, because I knew that a chaplain was appointed to the Tower some years

ARMY APPROPRIATION ACCOUNT—*continued.*

Mr. *W. H. Smith*—continued.

ago who had never served with the army, therefore what is paid to defray the expense of the Tower is not given solely to people with distinguished service.

713. In a great measure it is so?—Certainly.

714. You consider therefore that it is fair to make it a charge upon that Vote?—It is the original base of that Vote.

Lord *Eslington.*

715. (To Mr. *Ryan.*) This is a case in which the Comptroller and Auditor General appears to place a different construction upon a Royal Warrant from that which the War Office itself places upon it; does the Comptroller and Auditor General claim to himself a right of putting his own construction upon any Royal Warrant, or is he bound to take the construction placed upon it by the War Office?—If the Comptroller and Auditor General saw no reason to doubt the interpretation put by the War Office upon a Royal Warrant, he would probably accept it without question. In this particular case the War Office was communicated with, as it has been communicated with in every case where we have raised a question, and no such claim as is now stated by Mr. Milton was made in answer to us. Had it been made, and had we disagreed with it, we should have printed the answer made by the War Office in order that this Committee might form its own opinion upon the subject.

Chairman.

716. You could get no information from the War Office with respect to it?—We received an answer to a query, but no such claim was put forward as is now made, namely, that these officers were receiving distinguished service rewards when they were appointed to the Tower, and therefore their pay might be charged upon this Vote. (Mr. *Milton.*) I make no such claim now; I distinctly say that it is not so. I say that the expense of the garrison is the base of the grant, which is in fact the old garrison allowances turned into distinguished service rewards so far as the garrisons have been absorbed, but the garrison of the Tower has not yet been absorbed.

Mr. *O'Reilly.*

717. It is a remnant of an old Vote?—Yes; I daresay the Warrant might have been better worded than it is, where it speaks of the sum "being distributed in annuities among officers" "as rewards for distinguished or meritorious services." The fact is we have not carried out our full powers under the Warrant, knowing that we have not got all the money.

Mr. *W. H. Smith.*

718. You would word it thus; a sum of 21,500 *l.* to be distributed as rewards for distinguished service, and for maintaining the garrison in the Tower of London?—Yes, distinctly. I do not know whether we may look forward to the garrison of the Tower being abolished; if so, there will be an increase of the distinguished service rewards.

719. As

ARMY APPROPRIATION ACCOUNT—*continued.*

Chairman.

719. As long as the garrison of the Tower remains, the 21,700 *l.* will be subject to that charge for the Tower?—Yes.

Mr. *W. H. Smith.*

720. I see the amount happens to be 21,700 *l.* for this year?—Yes, we had Treasury authority for increasing it by 200 *l.*

Mr. *Seely.*

721. (To Mr. *Ryan.*) The Comptroller and Auditor General being a Parliamentary officer, is he not at liberty, in fact does he not feel bound, to put his own interpretation upon both Royal Warrants and Acts of Parliament?—It is quite clear, that if the Comptroller and Auditor General is to exercise anything like an efficient audit, he must put his own interpretation upon every document which comes before him. If he were to accept the interpretation put by the departments upon the documents which come before him, half his usefulness would be immediately lost. In such a case the departments might put any interpretation they pleased, and if we were bound to accept it, the effect would be entirely to destroy the efficiency of the audit.

Mr. *O'Reilly.*

722. The Comptroller and Auditor General putting his own interpretation upon Royal Warrants or Acts of Parliament, and submitting it to this Committee, and each department stating its interpretation, this Committee can report its opinion to the House on the point in dispute?—Clearly so. We never upon a disputed point raise a question without giving the explanation of the department so far as we have the means of doing so. (Mr. *Milton.*) The Audit Office stated a few minutes ago that we had not given them the information I have now given to the Committee, as to the old garrisons inecures being the base of the Grant for Distinguished Service Rewards, in answer to their query. Now I have the query and the answer before me, and I find that my answer was in these words, "The rewards were originally founded on the lapsed garrison appointments, and a note has been made to review the wording of the Warrant of 1870 in this respect;" the object of that note being that we might include the Tower in the Warrant. We had no wish, no object, in keeping back any information from the Auditor General. I have the most emphatic orders of the Secretary of State to allow the Audit Officers unrestricted access to all our vouchers and account documents, and to afford them every information in my power, and this has been fully explained by me to the Audit Officer, and has been fully acted up to by me.

Chairman.

723. In paragraph 34 it is stated that it is intended shortly to amend the Warrant relating to the allowances to officers at the staff college; is that so?—Yes; we shall do so. Of course we do not admit the right of the Comptroller and Auditor General to question the interpretation of a Royal Warrant by the Secretary of State; I say that in passing. The Secretary of State is

ARMY APPROPRIATION ACCOUNT—*continued.*

Mr. *Welby*, C.B., Mr. *Ryan*, and Mr. *Milton*, C.B.

18 April 1877.

Chairman—continued.

the sole interpreter of his own Warrants by the constitution of the country, and we do not admit the right of the Comptroller and Auditor General to question his interpretation in any case.

724. Supposing by mishap, that under a Royal Warrant giving an allowance of 1,000 *l.* a year, 2,000 *l.* was paid, you consider that the Secretary of State would have the authority of saying that by 1,000 *l.* in the Royal Warrant 2,000 *l.* was meant?—I say this, if he said it was, nobody could say it wasn't.

Mr. *O'Reilly.*

725. The statement is not that the Comptroller and Auditor General can override the interpretation of the Secretary of State, but that the Comptroller and Auditor General can report to this Committee and to the House of Commons what he conceives to be the right interpretation of a Royal Warrant or a Treasury authority; you have stated that no one can override the interpretation of the Secretary of State; do you wish to imply that this Committee is bound to accept his interpretation and not to report to the House of Commons its opinion as to what is the right interpretation of a Royal Warrant or a Treasury authority?—I certainly do maintain the contrary to your view.

726. I am only asking a question?—I have already said that the Comptroller and Auditor General has nothing to do with the Warrants. It is quite open to him to question the interpretation of a Treasury decision or authority, but he has nothing to do with a Royal Warrant.

727. It is not a question of the Comptroller and Auditor's authority, but of the authority of this Committee?—I have already stated that in my opinion the Comptroller and Auditor General has nothing to do with the Warrants, and therefore he has nothing to do with reporting to this Committee that a Warrant has or has not been rightly interpreted.

Mr. *Seely.*

728. But if the Comptroller and Auditor General does report to this Committee in relation to a Royal Warrant, is it your opinion that this Committee has no power to report to the House of Commons its opinion upon that Report of the Comptroller and Auditor General?—I would not for a moment presume to limit the power of this Committee, but I should say that they had had before them a point which was not properly brought before them.

729. And that therefore they ought not to report to the House of Commons their opinion upon the Report of the Comptroller and Auditor General?—I decline entirely to limit the power of this Committee in reporting.

Chairman.

730. (To Mr. *Welby.*) It appears from paragraph 35, that the question as to the absence of stamped receipts from the salary lists of the War Office Establishment has been brought before the Treasury; have the Treasury arrived at any decision with respect to that question?—Yes; I have to say that the Treasury were not aware of the effect of their decision in 1857. In a letter which is quoted in the Appendix to the Report, it is stated that the Treasury

Mr. *Welby*, C.B., Mr. *Ryan*, and Mr. *Milton*, C.B.

18 April 1877.

ARMY APPROPRIATION ACCOUNT—*continued.*

Chairman—continued.

were not aware that by that decision they were practically doing away with the liability to stamp duty on the part of the War Office officials. The case was brought before them by the Comptroller and Auditor General on the 19th of February last; they have considered it, and their decision, after consulting the Inland Revenue is, that they fully agree in opinion with the Commissioners of Inland Revenue, and request the Secretary of State to give the necessary instructions in communication with the Department of the Paymaster General, in order that the officers of the War Office may give the proper receipt stamps for the future. (Mr. *Milton.*) That has now been ordered at the War Office, and the order will take effect from the 1st of April. It will apply to this year's account.

Lord *Eslington.*

731. With regard to those cheques which do not require a stamped receipt, but merely require an endorsement of the recipient, do the War Office employés hand those cheques to the Paymaster General?—Yes.

732. When cashed by him, I presume they are returned endorsed by the recipients to the War Office, is that so?—They are returned to the Paymaster General, who retains them at his office.

733. What document is kept by the War Office itself as a voucher for these payments?—The War Office knows that the vouchers are at the Pay Office, and I, at the foot of each account, have given a receipt for them.

Mr. *Seely.*

734. In paragraph 36, the Comptroller and Auditor General states that he cannot trace any authority for the allowances for horse batteries and field batteries, and that it is stated to him that the payments are made under a decision of the Secretary of State, unsupported by subsequent Royal Warrant or other authority; is that so?—That is another case of the interpretation of a Warrant by the Secretary of State.

735. But is the Comptroller and Auditor General right in this statement which he has made to the Committee and to Parliament?—He is not right in saying that we have no Warrant to support our payments, our answer being that the Secretary of State decided that the existing Warrant applied to these troops.

Chairman.

736. It is just the same case as we have had before?—Yes, exactly.

Mr. *O'Reilly.*

737. Can you furnish us with that Warrant?—Yes; it is the old Warrant of 1848.

ARMY APPROPRIATION ACCOUNT—*continued.*

Chairman.

738. The next paragraphs raise similar questions of interpretation?—Yes.

739. Is the question raised in paragraph 39 of the same kind?—No, that is a little different. Some of the old allowances at the time of the existence of the Ordnance Office had slipped out in bringing up the Warrant of 1870, but they have existed from time immemorial, and they have been continued at the same rate. They will be included in the next Warrant in which we can pick them up.

Mr. *O'Reilly.*

740. They were left out by mistake?—Yes.

Mr. *Seely.*

741. In paragraph 42 the Comptroller and Auditor General says that "the total surpluses on the Works Vote during the last five years were as follows;" and then in the next paragraph that the estimate taken by the War Office for the new barracks, at Glasgow, amounted, in 1869–70, to 96,000 *l.*, that the work was spread over several years up to 1875–6, and that now the total amount voted for this work amounts to 158,000 *l.* He adds, that he considers that the whole of the extra sum has arisen from the long delay in executing this work; can you give the Committee any explanation why this work was so long in hand?—The Deputy Director of Works is in the room, and will give you the detailed information on the subject. The delay has been caused by one of the contractors failing, but I hope the Committee do not for a moment suppose that the cost of the work has risen to 158,000 *l.*, because that is simply the effect of paying back all unexpended money, and having it revoted according to the Parliamentary rule.

742. According to the Comptroller and Auditor General, "the estimate of 96,000 *l.* would probably not have been much, if at all exceeded, had the building been completed within a reasonable time," "but in consequence of the delay and great rise in the price of materials and labour" it was "increased in 1875–6 to 120,000 *l.* Up to that date the amount voted for this work was 158,000 *l.*, and the Estimates for 1875–6 state that a further sum of 26,263 *l.* would be required to complete the undertaking"?—Yes; allow me to point out that in the year 1871–2, the figures for which are now before you, we had voted to us 30,000 *l.*, and we spent only 477 *l.* 9 *s.* 11 *d.*; therefore, according to the rule of your Honourable House, we repaid 29,522 *l.* 10 *s.* 1 *d.* to the Exchequer, and re-voted the amount in a subsequent year. Hence the total amount of votings up to 158,000 *l.* for a work estimated at 120,000 *l.* only.

Colonel C. B. EWART, C.B., R.E., called in; and Examined.

Col. *C. B. Ewart*, C.B., R.E.

Mr. *Seely.*

743. CAN you give any information as to what will be the total cost of the new barracks at Glasgow, when completed?—I am now able to state that the barracks will be finished within the sum entered in the Estimates in the first column.

Mr. *Seely*—continued.

744. What is the amount?—£. 120,000; they will be completed within that amount.

745. Then there will only be an excess of 24,000 *l.* upon the original Estimate?—Yes, I may state the main cause of that excess was explained by a foot-note in the first year that the

ARMY APPROPRIATION ACCOUNT—*continued.*

Mr. *Seely*—continued.

the increased sum was entered in the Estimates.

746. Can you give the Committee any explanation why the barracks, which were estimated to cost 96,000 *l.* have cost 120,000 *l.*?—Yes; the explanation is this: the first estimate of 96,000 *l.* was necessarily an approximate estimate, that is to say, we had to enter what we considered by a calculation, which we are always able to make, that the barracks were likely to cost. Then a contract was taken up in October 1869; that was not a lump sum contract, but a contract by a schedule of prices. On the 20th of July 1871 the work was stopped in consequence of disputes with the contractor, and the next phase of the matter was that proceedings were taken in Chancery. The result of those proceedings was that the case was adjourned "to the hearing," but the Vice Chancellor gave us to understand that we could take possession of the ground. We did take possession of the ground, and we made a provisional settlement with the contractor in December 1872. The work was resumed in October 1873, and the delay up to that time was accounted for in this way: that we had the quantities taken out, and endeavoured to get a lump sum contract; but the tenders which came in on being analysed were found to be so excessive that we decided that it was better to decline them all, and to proceed to carry out the work ourselves; I may mention that even if the original contract had been continued, the estimate of 96,000 *l.* would have been exceeded, owing to certain causes, one of which was that we found that part of the ground was undermined; we discovered that by accident. It was ground which had been feued, and we were in consequence obliged to examine under our foundations, and wherever these mines were discovered we had to tamp them up. That and other things led to extra expenses which, when balanced against some deductions, left an increase of 5,580 *l.*, which would have had to be added to the original 96,000 *l.* But I should mention that the main cause of the excess was the fact of the first contract breaking down, because during the time which was thus lost the prices of labour and materials were going up all over the country. We went into a calculation of about how much we considered that those rates had gone up, and we came to the conclusion that we must put it down at about 25 per cent.

Lord *Eslington.*

747. (To Mr. *Welby.*) The Comptroller and Auditor General in paragraph 42, very properly, I think, regards the savings upon the Works Vote as to a certain degree a fictitious term, because it is deferred expenditure; do you agree in that view, or do you think that it is right to describe as savings, money voted but not spent upon works, the expenditure being therefore merely deferred?—It is undoubtedly a saving upon the year.

748. But if it is so regarded, and continues to be so regarded, might not this result happen; it might be applied with Treasury authority to meet deficiencies upon other heads of service within that Vote?—Yes, certainly, and I have no doubt that it has been so applied. (Mr. *Milton.*) No.

749. (To Mr. *Welby.*) Do you think that that

ARMY APPROPRIATION ACCOUNT—*continued.*

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Milton*, C.B., and Col. *C. B. Ewart*, C.B, R.E.

18 April 1877.

Lord *Eslington*—continued.

is a satisfactory way of treating a practically fictitious saving?—There has always been a great difficulty, as the noble Lord is doubtless aware, in dealing with the cognate branch in the Civil Services, namely, the Office of Works; the great difficulty that is experienced is in forming an estimate beforehand of the amount that will really be required in the ensuing year. It may be remembered that some four or five years ago this Committee made a suggestion whether it would not be possible to take a lump sum for works in the Civil Service Estimates, inasmuch as one work may have progressed faster, and another may have progressed slower, than could have been estimated in the month of December or January preceding the financial year to which the Vote applies. That rule is now applicable to the Army and Navy, and before you can speak of a fictitious saving, I think it should be ascertained first of all whether the Works Votes, as a whole, are over estimated or not. I have no doubt that in some of these cases one work may be pushed forward because an opportunity may have occurred for doing so, and sums which had been forecast as possibly payable upon another work may be applied to it; then the result would be that the expenditure upon works generally for the Army or Navy would equal the sum asked for. In that case I do not think that it would differ very much from the rule which the Committee suggested some time ago might be applied to the Votes for works in the Civil Service Estimates.

750. Do you not think that it would be a good rule to lay down that any saving representing a deferred expenditure should no longer be treated as a saving but as a deferred expenditure, and that it should, under no circumstances, be allowed to be applied in aid of deficiencies occurring within that Vote?—So long as the present principle is maintained of allowing surpluses to be transferred, I do not see any ground for making that distinction; I think it would be a difficult distinction to carry out.

751. What would be the difficulty of carrying it out if you said, once for all, that all moneys voted for expenditure which was deferred should be treated as payable into the Exchequer?—The difficulty, I conceive, would be that it would be reversing the very suggestion which was made by the Public Accounts Committee some time ago with regard to works in the Civil Service Votes, Class I. The Committee, as the noble Lord will recollect, upon that occasion suggested that surpluses on one work should be applicable to deficiencies on another. What the noble Lord is now proposing would, I think, be the reverse of that, namely, that surpluses upon one work in the case of the Army or the Navy should not be applicable, as has been the rule from time immemorial, to meet deficiencies on other works.

752. Surely if the Treasury is at liberty to apply in aid of deficiencies savings arising from this particular source, of which we are now speaking, that is practically placing in the hands of the Treasury the power of spending money which Parliament has not sanctioned?—Any transfer of a surplus on one Vote to meet a deficiency on another must be submitted to Parliament, and approved by Parliament subsequently.

753. (To

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Milton*, C.B., and Col. *C. B. Ewart*, C.B., R.E.

18 April 1877.

ARMY APPROPRIATION ACCOUNT—*continued.*

Chairman.

753. (To Colonel *Ewart.*) In paragraph 45 the Comptroller and Auditor General calls attention to a case where "two barrack works are being carried out in the same place if not on the same building, one under the Military Forces Localisation Act and the other out of War Office Votes," and he says, "It is difficult, if not impossible, to ascertain how far the barrack accommodation obtained is, or will be, applied to the purposes for which it was sanctioned; and on this point it would depend whether the service was properly chargeable to the Military Forces Localisation Act or to War Office Votes." When you have two buildings going on in the same place, how do you distinguish the expenditure to be charged under the Military Forces Localisation Act from that which is to be charged to the War Office Votes?—The case referred to is this: we were carrying forward a barrack under Vote 13, for Infantry, and when we undertook the works under the Military Forces Localisation Act it was considered that it was better to bring the Cavalry, then quartered at Hamilton, into Glasgow (there had been many applications from Glasgow to have Cavalry there), and it was also considered desirable to reduce the garrison of Newcastle by one battery of Artillery; there were three there at the time. One battery of Artillery was to be withdrawn from Newcastle and a squadron of Cavalry from Hamilton. It had long been considered that the troops at home ought to be more concentrated, and therefore this opportunity was taken of adding to the one Infantry barrack at Glasgow accommodation which would put up a squadron of Cavalry and a battery of Field Artillery. The original buildings, which were to be charged to Vote 13, have gone on as before, and we have added to them a barrack for a squadron of Cavalry and a battery of Field Artillery, but these buildings are perfectly distinct. The only difficulty we had to contend against was in the case of three buildings which would be used in common by both; those were the Provost Prison, the hospital, and the canteen. We went into a calculation of what those buildings would cost, and we came to the conclusion that the proper way of dividing the charge was this, that the whole of the provost and the whole of the hospital should be charged to Vote 13, and the whole of the canteen should be charged to the Localisation of the Forces Act. We have kept the expenditure perfectly distinct for the separate buildings; there is no difficulty in carrying that out.

754. I think all the purposes for which expenditure was to be charged under the Military Forces Localisation Act were scheduled in the Act, were they not?—They were scheduled in the Act, and the amounts which were expended have been approved in detail by the Treasury before we commenced the works.

755. (To Mr. *Ryan.*) Have you any observation to make with respect to this case?—None whatever, except that the Committee will see that it is impossible for us to apportion the expenditure made at the same place out of two different funds. (Colonel *Ewart.*) Perhaps the Committee will allow me to explain that there are complete returns which have been rendered to the Treasury, as to the expenditure upon the

ARMY APPROPRIATION ACCOUNT—*continued.*

Chairman—continued.

works in detail, under the Military Forces Localisation Act.

756. They have been communicated to the Treasury, but have they been communicated to the Audit Office?—We render them to the Treasury in the month of April or May each year; we render a statement of amount of works going on under the Military Forces Localisation Act, with a statement of the amount expected to be spent on each in the ensuing year.

757. That is an estimate?—Yes.

758. Do you also render an account of the expenditure?—Yes.

759. (To Mr. *Ryan.*) Would a copy of that document be of any assistance to you?—I do not think it would enable us to exercise any real check.

760. The Comptroller and Auditor General states in the 46th paragraph, that he has "little or no means of judging whether" expenditure under one item "of the schedule to the Military Forces Localisation Act" "is correctly charged to those funds, or whether in some cases it should not more properly fall upon War Office Votes;" have you any suggestion which you can make as to any facilities that could be given you for this purpose?—No; the grounds upon which the War Office advance the money from the Military Forces Localisation Fund, or from the War Office Votes, are governed by military considerations as to whether they propose to make the particular places depôt centres or not, and those are considerations upon which we are not able to form any opinion.

761. You have, then, no suggestion to make?—I do not know of any way in which we could exercise any more check.

Lord *Eslington.*

762. (To Mr. *Milton.*) Can you tell the Committee what the amount of the accumulation referred to in paragraph 50 as remaining since the year 1848 as a balance in the hands of the Secretary of State for war is?—It is shown in page 154 of this account; I think the amount is 37,000 *l.* odd.

763. Under the heading of "Account for Effects of Deceased Soldiers"?—Yes, the amount is 37,283 *l.* 9 *s.* 8 *d.*

Chairman.

764. It appears, with respect to this balance, that a letter was addressed to the Secretary of State for War on the 12th of January last, asking to be informed "what steps, if any, had been taken to give effect to the section" of the Royal Warrant referred to, and to that letter the Comptroller and Auditor General had received no reply at the date of the report; has any reply been sent?—No, I inquired yesterday and was informed that no reply had yet been sent.

765. Will it be sent soon?—I cannot say at all; it does not rest with the Account Branch to frame the reply.

766. Perhaps you can inform us at our next meeting whether you have received any information upon this point?—I asked about a reply yesterday and the answer was, that there was none ordered yet. A scheme was to be devised for the disposal of this balance, and no scheme has yet been devised.

767. The

ARMY APPROPRIATION ACCOUNT—*continued.*

Mr. *O'Reilly.*

767. The money is simply lying there?—Yes, as it has been for the last 40 years. The Royal Warrant provides for that, for it says, "The residues shall be disposed of or invested as if the Act had not been passed;" the residue is now disposed of in the same way. The Comptroller and Auditor General goes on to argue about its being invested, but that is only one of the alternatives mentioned in the Warrant.

768. Where is it now?—It is now among the Public Balances. *See* page 154 of this Account.

Chairman.

769. From paragraph 53 it appears that the Treasury sanction of the present retention of a junior clerk was given on the understanding that the next vacancy was not to be filled up, and that since that sanction was so given four junior clerks have been appointed; have you anything to say upon that?—Yes, there is a little misunderstanding there about four junior clerks being appointed, for no junior clerk has been appointed in the War Office for the last nine years. The fact is, that formerly we had 160 junior clerks obtained by public competition, and all first-class men. Then it was decided by the Government that in future the Civil Service could be worked to some extent with second class or inferior men, and a list was made, showing that we should only have 122 men of the first class, and it was stated that all future vacancies should be filled by the employment of men of the subordinate class now taken into the public service, but when a vacancy occurred in the upper ranks one of those unfortunate juniors who were on the establishment in 1862, but not on the establishment in 1870, was brought on to the establishment, and made an established junior instead of being a redundant junior. As each vacancy took place a redundant junior was converted in that way. On one occasion we lent one of the permanent clerks of the office to the Board of Trade, or one of the public offices, I am not quite sure which, and his place was filled by re-assessing one of these redundant juniors. When he came back, which he did on the change of Ministry in 1874, it was lost sight of that his coming back ought to have been attended with a stoppage of the next assessment, in case of a vacancy, and four of the redundant juniors were re-assessed and put back to what they had been 15 years before, without attention being

ARMY APPROPRIATION ACCOUNT—*continued.*

Chairman—continued.

called to the fact that there was one vacancy to be absorbed. So soon as that fact was pointed out by the Comptroller and Auditor General (and I think it is the only mistake which he has hit in the whole of his examination), we at once wrote to the Treasury, asking their sanction to what we had done owing to this having been overlooked, and promising to absorb the next vacancy. I am sorry to say that at Pall Mall we have not long to wait for a death vacancy. That vacancy has occurred, and the supernumerary or 123rd junior clerkship was absorbed on the 11th of March last. But the statement that four junior clerks were appointed was quite a misapprehension; there was no appointment at all, they simply ceased to be redundant, and came back to be permanently established clerks, which they had been years before.

770. On page 16 there is a statement of the accounts relating to the year 1875–76, which had not been received in the War Office when the account for the year 1875-76 was closed; that account was closed, I suppose, in November 1876?—On the 30th September; it cannot be touched after that. Three months is the period given for the balance sheet.

771. It appears that there has been great delay in sending in some of the Indian debit and credit accounts; for instance, in the case of Madras no account had been received since June, and in the case of Bombay the same?—Yes.

Lord *Eslington.*

772. And that was June 1875?—Yes; that was the year in question.

Chairman.

773. Do you believe that it is impossible to send in those accounts more speedily?—I do not know. We have no control over the Indian accounts. The Indian Government only could answer that question.

774. The Kneller Hall Account had not been received for 1875–76; what was the cause of that?—I do not know; that ought to have been in.

775. Will you inquire into the facts, and obtain an answer?—I will. There was some question about a settlement, I remember. I know the account has been passed since.

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Milton*, C.B., and Col. *C. B. Ewart*, C.B., R.E.

18 April 1877.

Wednesday, 2nd May 1877.

MEMBERS PRESENT:

Lord Frederick Cavendish.	Sir Charles Mills.
Lord Eslington.	Mr. Seely.
Sir John Lubbock.	Mr. William Henry Smith.

LORD FREDERICK CAVENDISH, IN THE CHAIR.

CIVIL SERVICE APPROPRIATION ACCOUNTS.

CLASS III.

On Vote 6.—COUNTY COURTS.

Mr. HENRY NICOL, called in; and Examined.

Mr. *Nicol.*
2 May 1877.

Chairman.

776. YOU are, I believe, the Accounting Officer for this Vote?—I am.

777. At the last meeting of the Committee, it was determined to summon the Registrar of the County Court of Whitchurch to this meeting, in order to ask him why he had not furnished to the Comptroller and Auditor General an account of all sums paid over by him to the treasurer of the Court; can you state why the Registrar is not here?—There is a gentleman outside who perhaps would be able to tell you better than I can, and his mother also is here. It appears that he left Whitchurch on the 17th of April with the intention of being here on the 18th, and, as his mother did not hear from him for a day or two, in answer to a letter she wrote, she came up to town, and went to the hotel, and found the letter which she had written to him lying there unopened. Since the 17th April he has never been heard of.

Chairman—continued.

778. Has he been subject to ill-health?—Yes.

779. Have you any reason to believe that there would be any incorrectness in the account which is wanting?—None whatever; and he has settled up to the 31st of December of last year. The account which the Comptroller and Auditor General refers to is one which he ought to have rendered of sums paid over to me in the year ended the 31st March 1876.

780. But you have received his accounts up to the 31st December last?—Yes; they have been audited, and other monies have been since paid.

781. Are those accounts entirely satisfactory?—Yes.

[The Witness withdrew.

Mr. *Welby*, C.B., and Mr. *Ryan.*

Mr. REGINALD EARLE WELBY, C.B., and Mr. CHARLES LISTER RYAN, called in; and further Examined.

CLASS VII.

On Vote 5.—PARIS INTERNATIONAL MARITIME EXHIBITION.

Mr. *Johnson.*

Mr. EDMUND JOHNSON, called in; and Examined.

782. YOU are the Honorary Secretary to the English Committee of the Paris International Maritime Exhibition?—I was.

783. The Comptroller and Auditor General calls attention in his Report upon the Vote for that Service, to the very late delivery of the Account; can you furnish the Committee with any explanation of the delay in rendering that Account?—It was simply owing to the difficulty of obtaining the necessary vouchers from a gentleman (Mr. Meinhard), who was employed by the Committee, and who wholly failed in his duty in furnishing Accounts in proper time.

784. Did you impress upon him the necessity of furnishing this Account?—Very much so, indeed. He left England very shortly after the close of the Exhibition, in connection with an employment which he had obtained at Philadelphia for that Exhibition, and he remained there until some very considerable time after the closing of the Philadelphia Exhibition, meanwhile instructing solicitors here to commence proceedings personally against myself, as representing the Paris Committee, for the recovery of a large sum which he claimed for services and expenditure incurred, to which sum he really was not justly entitled. He left those proceedings in the hands of his solicitors, who were exceedingly dilatory in prosecuting the action which had been commenced. Up to the present moment we have been

CIVIL SERVICE—Class VII.

Vote 5.—Paris International Maritime Exhibition—*continued.*

Chairman—continued.

been unable to obtain from him the necessary affidavit as to the documents in his possession. Curiously enough, it so happens that this week the Court has ordered that unless his affidavits are filed to-morrow, the action will be dismissed with costs for non-prosecution. I have the order here. He is in possession of the vouchers which are requisite to enable us to completely deal with that Account. Possibly if we had had a few days longer, the matter might have resulted one way or the other, either in our obtaining from him the necessary documents, or in the dismissal of his action; and in the latter case I should have been compelled to come here and state that it would be utterly impossible ever to produce the details of his expenditure.

785. You paid him on account, or advanced him the money, did you?—These sums were all placed in his hands for expenditure, and he claims to have expended more. The Committee took the accounts, and simply admitted such sums as they felt were fairly expended, and sums which kept them within the Vote at their disposal, being well aware, of course, that any sum beyond the 2,000 *l.* which the Vote placed in their hands would have to be covered by themselves.

786. Did you pay those sums without receiving any vouchers?—Certainly; the particulars of the sums will show that vouchers could not have been given in advance for them. They are wages of workmen, to a great extent. I do not know whether the Treasury Papers are before the Committee; if not, I have a copy of them here.

Lord *Eslington.*

787. Have you no document, signed by that gentleman, acknowledging the receipt of that sum?—There are many letters in which he acknowledges sums of money placed in his hands; some he received personally, and he was to send the vouchers immediately he obtained them.

Chairman.

788. What position does this gentleman occupy; what is his office?—He is an agent generally in exhibitions, sometimes representing committees, and at other times representing commercial exhibitors. He was highly recommended to our committee; he referred them to Mr. Cunliffe Owen for a testimonial.

789. He was appointed by the Commissioners?—He was appointed by the Lord Mayor and the members of the committee.

790. You are probably aware that the committee is responsible for the action of its servants?—The expenditure in question is this; it amounts to 5,875 francs; I have the particulars of it here.

791. Do those particulars which you are about to read bear on the present question?—The sum which is questioned, amounting to 135 *l.*, is a portion of the expenditure, the particulars of which I was about to read. These items make up a total of 235 *l.*, of which 135 *l.* is objected to. There are no separate details of the 135 *l.*; it is all in this form: "Hire of tents for offices, 300 francs; hire of furniture for same, 510 francs 50 centimes; hire of show-cases for Government and other Public Loan Collections, 455 francs; hire of tables and platforms, 610 francs 75 centimes; postages from Paris, 76 francs; telegrams, 134 francs; cab hire and incidental expenses at Paris, 303 francs 50 centimes; weekly and other wages of workmen employed in the Exhibition, extending over five months, 2,315 francs; payments for materials and workmen's wages for decorations in the British section, 1,170 francs 25 centimes." Those sums make up a total of 5,875 francs, or 235 *l.* That is a very small expenditure as a total for the care of the Exhibition from July to December 1875, a period of five months.

792. What are the items objected to by the Comptroller and Auditor General?—The Comptroller and Auditor General objects to 135 *l.* out of the total of 235 *l.*, there being cheques produced, duly endorsed, by Mr. Meinhard for 100 *l.*

793. Can you state which are the items composing the 135 *l.*?—No, that has not been stated to me.

794. You say that within a week you may be able to furnish more information upon the subject?—It is possible that, under the order of the court which I have referred to, an affidavit as to the documents in this gentleman's possession may be filed to-morrow, and in that case we shall have a certain proportion of those vouchers amongst such documents. I take that as a matter of course, because he founds his claim upon these items, together with further remuneration for services.

795. If you obtain further information of that kind between this time and this day next week, perhaps you will communicate with the Clerk of the Committee?—I shall be pleased to do so.

[Mr. *Johnson* withdrew.

CLASS II.

On Vote 40.—PUBLIC WORKS, IRELAND.

796. (To Mr. *Welby.*) Have you any further information to give to the Committee with respect to a messenger in the Office of Public Works, Ireland, who had been employed without a certificate of qualification?—After the examination on that point on the last day when the Committee met, I made inquiry at the Treasury as to the state of affairs, and I found that what Mr Ryan had stated was perfectly true; and that the messenger in question was still employed temporarily. A difficulty had arisen owing to an offer having been made to two or three men to accept the situation which they had declined, and this man had been kept on in employment until a settlement of the question could be arrived at; but I am instructed to say that a plan for an amended staff of messengers is now before the Treasury, and will probably be settled within a few days from this time; that will put an end to the question.

797. Have

Mr. *Welby*, C.B., and Mr. *Ryan*,

2 May 1877.

POST OFFICE TELEGRAPHS CAPITAL ACCOUNT.

Chairman.

797. Have you any further information to give to the Committee with respect to the points which were raised upon this account?—Yes; there was one question which I was not able to answer at the last sitting of the Committee, and that was with regard to certain way-leave rents which had been claimed by various railway companies from the Post Office, and which had not received the sanction of the Treasury. Since that time, the Treasury have had the question under consideration, and they have sanctioned permanently a number of those way-leaves, and they have given such a provisional sanction to the remainder of the charges as would cover those sums which were in question in the Comptroller and Auditor General's Report.

ARMY APPROPRIATION ACCOUNT.

Mr. JOHN MILTON, C.B., called in; and further Examined.

Mr. *Milton*, C.B.

Chairman.

798. (To Mr. *Welby.*) I THINK at our last meeting you undertook to inform the Committee if possible, when Winchester House would be available for the officers of the Comptroller and Auditor General; have you any further information to give upon that subject?—The War Office have before them certain plans for making Winchester House fit for the clerks who are to perform their duties there; but the question has not been decided as to certain permanent alterations in the War Office. It is possible if one plan is adopted, that Winchester House may be ready within two or three months; but if another plan is adopted, it may take six months or more; the period at which Winchester House will be ready for the reception of the auditors, lies between those two times.

799. You were asked at the last meeting of the Committee whether you considered that it was within the competency of the War Office to pay salaries and allowances beyond those sanctioned by Royal Warrant, and you answered that question in this way: "As far as I am aware, this question as to the power of the War Office to set aside or go beyond a Royal Warrant, has never come before the Treasury until this Report of the Comptroller and Auditor General was made"; has that question since been considered by the Treasury?—It has not been formally considered by the Treasury, and I am rather at a loss to see how it could be officially considered by the Treasury in the present state of things; I do not think it could be considered, except upon a communication from the War Office itself, or upon some official document being issued which would call in question the conduct of the Treasury in having sanctioned allowances which were not embodied in Royal Warrants.

800. Do you consider that the Treasury would have any power of sanctioning expenditure beyond that ordered by a Royal Warrant?—It appears to me that a Royal Warrant is a document between the Sovereign and the soldier. It is a document drawn up by the War Office for the regulation of the army, and I do not think that the Treasury have really any *locus standi* in prescribing or endeavouring to prescribe to the War Office what steps they are to take in order to embody changes which have been made with the sanction of the Treasury in Royal Warrants; at the same time, of course, if there is a collection of formal documents which contains the regulations under which the soldier is entitled to be paid, and under which he is entitled to the various allowances, and so forth, it would be desirable that it should be made from time to time as perfect as possible.

Chairman—continued.

801. (To Mr. *Milton.*) I observe that I omitted at the last meeting of the Committee, to ask you if you could state why no reply had been received by the Comptroller and Auditor General to his letter of the 6th January 1877, calling for the detailed estimates and Treasury approval for a portion of the Works included in Parts 1, 2, and 3 of the Works Vote; have you any explanation which you can give the Committee on that subject?—Your Lordship was good enough to give me notice that you should ask me whether any reply had yet been sent to that letter. I accordingly communicated with the Director of the Works, in whose Department these Estimates for Fortifications and Barracks are, and he informs me in return that the reply was sent on the 16th of April.

802. (To Mr. *Ryan.*) That letter has now been received, I presume, by the Comptroller and Auditor General?—It has.

803. (To Mr. *Milton.*) I suppose there would be no objection to its being put into the Appendix?—None whatever. (*The same was handed in*, vide *Appendix.*)

Mr. *W. H. Smith*

804. Is any question likely to arise out of the answer?—I do not think that any special question would arise out of the answer, more than may arise upon the examination, in greater detail, of the Accounts of the Works Vote at some future time.

Chairman.

805. There was also a letter addressed by the Comptroller and Auditor General to the Under Secretary of State for War, on the 12th of January last, in which he requested to be informed what steps, if any, had been taken to give effect to Section 18 of the Regimental Debts Act?—I am instructed to inform the Committee that no answer has yet been sent to the Audit Office upon that subject. "The question is involved with some others, upon which the Financial Secretary spoke sometime ago to the Secretary to the Treasury, and about which it is proposed to appoint an inter-departmental committee, but the terms of the reference to that committee (involving other questions as above stated) have not been finally settled."

ARMY APPROPRIATION ACCOUNT—*continued.*

Mr. WILLIAM MINIFIE, called in; and Examined.

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Milton*, C.B., and Mr. *Minifie*.

2 May 1877.

Chairman.

806 YOU are the Assistant Financial Secretary to the India Office?—I am.

807. The Comptroller and Auditor General calls attention to the long time that the India Contingent Account, which has ceased to be a current account since March 1874, has been kept open; can you state what is the reason for that long delay?—The India Contingent Account contains various charges and credits, properly belonging to the Contingent Account, and also other charges and credits properly belonging to the Effective Account. In March 1874, the Secretary of State for India saw that it was very inconvenient to have two accounts running, and he sent a letter to the War Office requesting that the Contingent Account might be closed from the 31st of December 1872. The War Office replied, saying "that they could not close the Account prior to the 31st of March 1874." To that the Secretary of State for India agreed, but as the Contingent Account contained so many items belonging to the Effective Account, and the Effective Account, up to the 31st of March 1874, was only rendered to the India Office on the 26th of January last, it has not been possible finally to close the Account. It is now being examined, and we hope to send on our objection statement to the War Office by the end of this month. There are certain items in it which properly belong to the Effective Account, and they will have to be adjusted with that Account. When those items are taken out, we believe that instead of there being a balance of 29,000*l.* against us, there may be a small balance in favour of the India Office.

808. Your explanation is then, in fact, that this long delay is due to questions affecting the Effective Account which was considered by Mr. Bouverie's Committee?—Yes.

809. With respect to the statement on page 16 of the Accounts, relating to the year 1875–76, which had not been received in the War Office when the Account for the year 1875–76 was closed, there are included there several Indian Accounts; can you state whether it is absolutely necessary that there should be so much delay in sending in those Accounts, as, for instance, the Madras Debit and Credit Account for the June quarter 1875?—Those Accounts are received from the Government of India, quarterly; in the first place the Accounts are made up in India, and that, of course, takes some considerable time after the expiration of the quarter, and then there is the time occupied in transmitting them to this country, so that it is necessarily from nine to 10 months after the expiration of the quarter before we receive them; for instance, the Account of the June quarter of 1875 would not be received until April or May 1876, and then, after it arrives in this country, various Accounts have to be dissected, and the claims on the War Office made out from them, which takes some little time.

Chairman—continued.

810. (To Mr. *Milton.*) The result is that these Accounts are not sent in for 18 months after the expenditure has been incurred?—They have been sent in up to the 30th of September last.

811. (To Mr. *Minifie.*) That is 15 months after the expenditure?—Yes; the Account you have referred to was actually rendered to the War Office on the 10th of October 1876, and, in fact, the whole of the Accounts mentioned, with the exception of two, have been rendered to the War Office. The money is expended in India, consequently it takes from nine to 12 months to get the Accounts home.

Mr. *W. H. Smith.*

812. Of course the work is done more slowly in India than elsewhere?—Yes; it takes nearly a twelvemonth to close the Accounts in India after the expenditure.

Chairman.

813. Do you think that it would not be possible to expedite the sending in of Accounts from India?—They are very much quicker now than they were a few years ago.

814. May we understand that all efforts will be made to get in these Accounts as rapidly as possible?—Certainly.

WAR OFFICE (CHARGES DEFRAYED ON ACCOUNT OF INDIA) APPROPRIATION ACCOUNT.

Chairman.

815. (To Mr. *Welby.*) In the third paragraph of the Report of the Comptroller and Auditor General, attention is called to the fact that the Appropriation Account of the Vote was not forwarded to his Department by the Treasury until the 8th of January last; can you inform the Committee what was the cause of that delay?—The Treasury had of course no knowledge of this expenditure, and they were not in a position to furnish any vouchers themselves; they could therefore only obtain vouchers, or the means of making up the Account, from the War Office; and they were only put in possession of such a statement by the War Office as they could forward to the Audit Office about that date.

Chairman—continued.

816. (To Mr. *Milton.*) Was the delay in furnishing the materials for this Account to the Treasury due to unsettled questions relating to the effective and non-effective services?—No, in no way. It was simply due to the necessity of the case. This Account extends to the 31st of March 1876; it is the outcome of the War Office Accounts to the same date. To make up those Accounts we are allowed, by Act of Parliament, to the 31st December 1876, and we could not furnish the outcome until we had balanced our own

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Milton*, C.B., and Mr. *Minifie*.

2 May 1877.

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued.*

Chairman—continued.

own books; but, knowing how anxious the Treasury were to push this Account forward, we got rather ahead, and sent it to the Treasury; I am not sure of the day, but I think it was on the 19th of December, the fact being that it was not until the 6th of December that we obtained the last or final certificate from the Comptroller and Auditor General that the sums in question were properly placed in that Account. It is necessary for me to tell the Committee that the whole of that Account is built up solely on the certificate of the Comptroller and Auditor General. No single shilling of that Account, from first to last, has been charged there until his certificate was given that the charge in that Account was proper, not of course correct; he is not responsible for the figures being correct, but he certifies to me, and he certified to my predecessor before me, that each of those sums which we proposed to charge in that Account was a proper charge by us, and was a proper application for that purpose of the public moneys entrusted to me for expenditure; therefore, that Account from beginning to end is one with regard to which I have been entirely relieved of responsibility, day by day, by the Comptroller and Auditor General. For the purpose of showing that distinctly to the Committee, I obtained the very first Account that was entered; it was signed by the Audit Office clerk. The very object of the existence, or the presence, I should rather say, of the detachment of the Audit Office in the building at Pall-mall, which is the office of the Secretary of State for War, is to obtain a daily concurrent audit of the propriety of the use of the money entrusted to me. Each day I submit to the Auditor General my expenditure for the day, with my proposed appropriation of it, and he certifies it as correct, or he alters it as incorrect. In order to satisfy the Committee upon that point, I obtained, and have now with me, the entry of the very first shilling that was placed to that account; it is called an "Account of Regimental Advances." That record was made on the 31st December 1870; it is to the amount of 337 *l.*, and though it is called an account in advance to India, the fact was that India, prior to that day, had paid into the Exchequer no less than 400,000 *l.*, of which 80,000 *l.* was to meet these very charges which were then recorded against India. Therefore India was in advance of us. So far from misapplying the public money by lending it to India, the fact was that India was many thousand pounds in advance of us. The Comptroller and Auditor General has printed at the end of this Report a statement or account on page 8, showing that during the whole period of four years comprised in this Account, the India Office was always in advance of the War Office. In the first year they were in advance 18,000 *l.*, the next year 9,000 *l.*, in the next year 70,000 *l.*, and they finished with a balance in their favour of 66,000 *l.* I mention this not because I say that the public money's have been misapplied. I say that they have been perfectly properly applied; but I say, whether misapplied or properly applied, they were certified to me as correctly applied by the Auditor General. It is the Comptroller and Auditor General in his Report who says that they were misapplied; it is not I who say so. I have ascertained distinctly the character of this Account from the begining. I desired search to be made, and I obtained this first entry which I have in my hand, with the signature of the Audit Office clerk, and I then desired search to be made in order to ascertain whether, in any instance, I or my assistants had proposed to allot any sum to this Account, and that proceeding had been objected to, it being clear that if sums have been deliberately objected to and refused admission into that Account, those which have been admitted, have been deliberately admitted. I immediately found in the book which I hold in my hand, a number of cases in which a proposed allotment or application of money to that Advance Account was objected to, by the Audit Officer, and refused. But I was not satisfied with that; so determined was I that this Committee should have a full understanding of the case, that I desired search to be made as to whether there were any instance in which I had omitted to charge an item to that Account, and been ordered to do so. Some instances were found in this book which I hold in my hand; there are four instances in which sums, which my examiners had proposed to allot to other accounts, were placed in that Account by order of the Comptroller and Auditor General. Therefore the result is, that the whole of that amount of 582,000 *l.* has been so applied under the certificate of the Comptroller and Auditor General, and a portion of it under his orders. I therefore claim to have been discharged under the Audit Act of all responsibility as to the propriety or non-propriety of that disposal of public money.

817. (To Mr. *Ryan*.) Have you any observations to make upon that statement?—Yes, certainly. I wish to state, in the first place, that if any portion of this expenditure were wrong, the fact of the Audit Office having passed it would not relieve the accountant from anything that he had done wrong; it would be quite a novel doctrine, to hold that the responsibility for a wrong account rests upon the Audit Office, and not upon the accountant; but the whole of what Mr. Milton has stated seems to me to be beside the point with reference to the question at issue. The Comptroller and Auditor General has never said in his report that this expenditure was not of such a nature that it was proper to be charged against India. His officers have, as Mr. Milton has described, had before them the several vouchers which came under review in the course of their examination; but that examination is, as this Committee is aware, a very limited one; the examiners of this department do not certify to the arithmetical correctness of the vouchers, nor to their correctness with reference to authorities; their business is to carry on only the Appropriation Audit; that is to say, it is their duty to see whether the amounts are carried to the votes on which they would properly fall in accordance with the Estimates. When this expenditure was brought before them, marked as Indian Advances, or whatever the technical term may be, they passed it as appearing to them *primâ facie* to be chargeable to the India Advance Account; that is not disputed. The Comptroller and Auditor General says, naturally enough, that he cannot certify to the Account as to

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued.*

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Milton*, C.B., and Mr. *Minifie*

2 May 1877.

Chairman—continued.

to actual accuracy, because that would require a detailed examination, and he has not given a detailed examination to any part of it, although his officers have, in the course of the last six years, had these vouchers passing through their hands. The point raised in this Report is, not whether these charges are properly charges against India, but whether the War Office was entitled to advance sums from the War Office balances on behalf of India year by year, without making any endeavour to set right those advances which had been made without any authority whatever. Our officers, in stating that *primâ facie* these sums appeared to be an Indian charge, never said to the Accountant General of the War Office, "We authorise you to take War Office cash, and to retain War Office cash, and to apply War Office cash for this purpose;" that would have involved an interference with, and a responsibility for the cash balances, and had it been within the function of the Comptroller and Auditor General, which it obviously is not, the four men whom we have in the War Office could not possibly undertake to examine in full detail the War Office Accounts with that view. It would require, at least, 50 men for that purpose; and therefore, as the Committee will see, the responsibility must be limited with reference to the work done and the staff provided for accomplishing it. (Mr. *Milton.*) Allow me to say that I dissent from that.

818. I was asking you as to the cause of the delay in sending in the accounts; you have explained the reason of the delay with respect to the accounts; but the Comptroller and Auditor General states that a portion of the vouchers relating to the accounts for the years 1870–71 and 1871–72 was received from the War Office on the 18th of January last, and further portion, together with the vouchers for the year 1872-73, on the 1st of February. He adds that, "The vouchers sent are, however, still far from complete;" what is the reason of the delay in completing these vouchers?—They are excessively numerous; they extend over almost the whole of our accounts; they are to be counted by hundreds; they have been collected from time to time. I am not aware of any application for more from the Comptroller and Auditor General; in fact, I understood that the Report was to the effect that he could not manage them at all. I never heard that he wanted any more.

Mr. WALTER CAREW COCKS, called in; and Examined.

Mr. *Cocks.*

Chairman.

819. WHAT is your Office?—I am Auditor of the Home Accounts of the Government of India.

820. In paragraph 5 of the Report of the Comptroller and Auditor General it is stated, "It is more than probable that the vouchers in support of the subsequent years (that is subsequent to the year 1870-71) will shortly be required by that department (the India Office) to conduct their own examination of the expenditure;" can you state whether that is the case?—I think, as regards that part of the question, there might really be no particular clashing of the two Audit Departments, because the questions referred to, as regards the Audit Office, do not involve the whole expenditure of the Army Accounts; therefore I think an arrangement could be very easily made between the two offices that we should undertake the examination of the Army Accounts, leaving out those portions which are in dispute between the Audit Office and the War Office. The Audit Office might examine those disputed portions, while we are examining the other portions of the account, if that is thought desirable, and in that way the work of the two offices might go on simultaneously.

821. If I rightly understand you, you suggest that the whole of those Accounts, which are in dispute between the India Office and the War Office, should be examined into by the Comptroller and Auditor General?—No; I was referring to the question involving the sum of 500,000 *l.*, and not to the question in dispute between the India and War Offices. The Comptroller and Auditor General says he cannot give any certificate in respect of that sum until those Accounts are examined; therefore I thought if it was considered desirable by this Committee that both auditors should undertake the work, there need be no clashing of the departments, because we might proceed with one portion of the Accounts whilst the Comptroller and Auditor General proceeded with the others, and by the time we had done our portions he probably would have finished the examination of his portions of the accounts, and we could then take them up.

Chairman—continued.

822. According to the ordinary course of business, before these accounts were finally settled in the India Office, there would be a detailed examination of them by that department?—Yes.

823. (To Mr. *Ryan.*) If there is such a detailed examination before the final settlement, do you consider that there would be any sufficient advantage in having that detailed examination repeated by the Comptroller and Auditor General?—I think it would be putting the country to unnecessary expense if the work were done twice over. If it is done by the India Department, we should be content to accept their examination, and to take that as sufficient.—(Mr. *Cocks.*) The question is not so much whether I am willing, as whether I have the power, to accept the examination of the Audit Office. I am of opinion that, under the 52nd section of the Act 21 & 22 Vic. c. 106, I have no power thus to delegate my duties to anyone else.

824. The proposal is that the Comptroller and Auditor General should be satisfied with your examination?—I misunderstood it.

825. (To Mr. *Milton.*) Have you any observation to make upon this proposal?—The proposal, as I understand it, is that the claim between the two Governments should be settled by the Government preferring the claim, and not by the Government paying the claim; that is a perfect novelty in our Accounts, and it is an arrangement to which we could not be a party. The Government which pays the claim must audit the Account for it. It might as well be ordered

Mr. *Welby*, C.B.,
Mr. *Ryan*,
Mr. *Milton*, C.B.,
Mr. *Minifie*, and
Mr. *Cocks*.

2 May 1877.

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued*.

Chairman—continued.

that a contractor's bill, if sent in to me, accompanied by a certificate of his cashier that it was all right, should be paid by me without being examined in our department.

Mr. *W. H. Smith*.

826. The War Office contend that the only authority capable of determining whether an account is accurate or not is the India Office, in concurrence with themselves?—Entirely.

827. (To. Mr. *Cocks*.) And the India Office say that they have not the legal power to accept the certificate of the Comptroller and Auditor General instead of their own examination?—Yes.

828. (To Mr. *Ryan*.) I understand you to say, speaking on behalf of the Comptroller and Auditor General, that it would be a waste of public money if the detailed examination which is conducted by the auditor of the India Office of items in the accounts were repeated by the Comptroller and Auditor General?—Yes, the Comptroller and Auditor General makes this remark in his Report, because he requires some authority other than his own to abandon the examination of an account which is under a Supply Vote, but he would be very glad to do so, under the circumstances, if he is authorised to do so. He does not wish, and does not think it desirable in the public interest, that he should retain these vouchers and make a full examination of them himself, and then hand them over to the India Office in order that that office may make another full and detailed examination of them.

829. (To Mr. *Cocks*). I understand that there is a great difference between an examination of accounts in detail, and an examination of accounts in principle, and it would be the duty of the Comptroller and Auditor General to see that the account in principle was correct and accurate, that the charges raised against India were based upon an agreement which had the sanction of the Government as to the nature of those charges; but it would be absurd for the Comptroller and Auditor General to go into the particular items upon which this Account was built up after they had been carefully examined by the paying authority, which is the auditor of the India Office?—Yes; perhaps you will allow me to make one remark upon that. The Comptroller and Auditor General might think that the principles embodied in the reports had been carried out fairly by the War Office; we, on the other hand, might take exception to some of those principles, and we might reasonably question whether the principles had been fairly carried out; and that is not an imaginary supposition that I am making, because we had, or thought we had, laid down distinctly the rules upon which the Troop Service Accounts should be settled; but within the last month I have raised a very important question involving a charge of 2,000 *l.* or 3,000 *l.* which will have to be borne either by the War Office or by the India Office, as the Secretaries of State may determine; and it is very likely, indeed most probable, that this question would have escaped the Audit Office; I do not mean to say anything against the Audit Office, but being a technical question, as the Audit Office staff is as yet rather young in its examination of Army Accounts, it might easily have been overlooked.

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued*.

Mr. *W. H. Smith*—continued.

830. (To Mr. *Ryan*.) Are we to understand that the proposal of the Comptroller and Auditor General was that he should be satisfied with a general Appropriation Audit, without having a detailed audit?—The view of the Comptroller and Auditor General was this, that if it is thought proper to relieve him of the duty of proceeding further with the examination of this Account, he thinks that under the circumstances of the case, it would be rather in the public interest that it should be done. (Mr. *Milton*.) I am bound to observe that the accounts which Mr. Cocks has just alluded to are not involved in the amount now in question; they belong to what we call the voted accounts. The sums submitted to the Comptroller and Auditor General are the unvoted accounts, and I am not aware of any question of broad principle raised with regard to them. I may say that the War Office, so far as I can see, could have no objection to the course suggested by the Secretary to the Treasury, and concurred in by Mr. Ryan; but it is not the course proposed by Sir William Dunbar, which course we do object to.

831. (To Mr. *Welby*.) Should you see any objection to dispensing with the detailed examination by the Comptroller and Auditor General of this Account?—I entirely agree with what has fallen from Mr. Ryan upon the subject. As I understand it, Mr. Ryan does not propose that the Comptroller and Auditor General should in any way interfere with the work of administration, but simply that when it comes to a question of Audit, which is quite a separate matter, arrangements should be made by which it should not be necessary for him to go over the vouchers again in detail. (Mr. *Milton*.) I feel bound to add that that audit has taken place day by day from the 1st of April 1870. The whole of the accounts have been audited for Appropriation by the Comptroller and Auditor General already.

832. (To Mr. *Milton*.) Up to the year 1860, all charges on account of India, I believe, were excluded from Army Votes, but were paid by Appropriations in Aid; was not that the case?—No, they were paid exactly on the principle on which this unfortunate 500,000 *l.* was paid. The short history which the Comptroller and Auditor General gives in his Report for the information of Parliament is, I am bound to say, sadly defective. It appears from that history, that from the year 1823, up to January 1861, the Home Charges as between the two Governments were settled by a fixed payment of 60,000 *l.* Now that statement excludes wholly the effective charges. It can hardly have escaped the attention of the Committee, that the period extending up to 1861, includes the three years during which the suppression of the mutiny was taking place, and certainly 60,000 *l.* a-year for the Home Charges during that time would be very inadequate. Fortunately, I observed this omission, and got out the figures. In 1857, instead of being settled by 60,000 *l.*, the amounts for effectives only were 1,133,000 *l.* But not to weary the Committee by going into the detail of what is proposed here as the history of our previous proceedings,

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued.*

Mr. *Welby*, C.B.,
Mr. *Ryan*,
Mr. *Milton*, C.B.,
Mr. *Minifie*, and
Mr. *Cocks*.

2 May 1877.

Mr. *W. H. Smith*—continued.

ceedings, I will simply mention that the Comptroller and Auditor General would assign 180,000 *l.* to those three years as the amount which passed between the two Governments for the settlement of Home Charges, whereas, in fact, they did amount to 4,727,000 *l.* The Comptroller and Auditor General has omitted the whole of the services which, since 1861, are represented by 10 *l.* per man for the effectives. He has mentioned the non-effectives which are now, since 1861, respresented by a payment of 3 *l.* 10 *s.* per man. I have not the least doubt that this omission was accidental on his part, that is to say, it was not done on purpose, but it is an unfortunate omission for me, and it is very providential that I discovered it. The arrangement was not made by any War Office, or Treasury, or India Office settlement; it was under an Act for the Government of India passed in the year 1793. That which makes it important for my position that that should have been rehearsed in this history which was to guide the Committee, is the fact that, during those seventy years, upwards of twenty millions passed between the two Governments under that Act, on the arrangement on which I was bred upon the War Office (perhaps that is why I adopted it), and that was identically the same arrangement which has been pursued by me in the last seven years in regard to this unfortunate 140,000 *l.* a-year, namely, that not one penny of it was voted by Parliament; every penny of it was settled by a personal account between the India Office and the War Office. Therefore the history, if it were complete, would include for seventy years a course of proceedings identical with the one pursued during the last seven years which has been called in question.

833. What I wanted to ascertain was, whether that large sum was paid through the Treasury or direct to the War Office?—It was not paid into the Exchequer. I believe the Treasury held it, or we drew it direct from the India Office. Most distinctly, it was not paid into the Exchequer, because it was an unvoted service.

834. I am anxious to have this right; was it paid direct to the War Office, or through the Treasury?—Mr. Hanby, the principal bookkeeper at the War Office, informs me that it was paid to the Treasury, and then by them ordered to be transferred to the credit of the War Office.

835. It is very desirable to have the history of this affair perfectly accurate; was it not the fact, that up to the year 1861, all the payments made by India on account of services rendered by the War Department for India, were dealt with as Appropriations in Aid?—Never.

836. That is to say, they did not pass into the Exchequer; they formed no part of the Imperial revenue of the year, but they were dealt with as direct payments from India to the War Department, for the services rendered by that Department?—Undoubtedly they did not pass through the Exchequer, but they were not taken as Appropriation in Aid, because Appropriations in Aid are sums that we receive in diminution of voted services; these we received on a personal account for unvoted services.

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued.*

Mr. *W. H. Smith*—continued.

837. But they did not pass into the Exchequer in any shape or way until 1861?—So I understand.

Sir *Charles Mills.*

838. Did not the 60,000 *l.* mentioned in the Report pass into the Exchequer?—Yes; the 60,000 *l.* spoken of in this Report, being a voted service, was taken into the Exchequer.

Chairman.

839. (To Mr. *Welby.*) Can you say whether the other sums paid by India were paid through the Treasury to the War Office, or direct to the War Office?—I do not know whether the sums passed into the hands of the Treasury, but this I do know, that the expenditure for which they were the repayment was not included in the Army Estimates, and that practically the difference between the period anterior to the year 1861 and the subsequent period, was that prior to 1861 these particular sums were not voted by Parliament and did not appear in the Army Estimates, but that from 1861 they did.

840. (To Mr. *Milton.*) Do you agree with that?—That exactly confirms what I have already stated to the Committee.

Mr. *W. H. Smith.*

841. I wish to get the matter clearly before the Committee; from 1861 the system was altered altogether?—Yes.

842. And from that date it became the rule to include these charges in the Army Estimates, and the repayment of those charges was made to the Treasury and was treated as part of the revenue of the year?—Yes, that is so; if there is no objection to stating that sums were treated as revenue which were only paid in on account subject to further adjustment.

843. The practice was, no doubt, to pay quarter by quarter into the Revenue Account a sum estimated as nearly as possible by the India Office to be the sum which would come in course of charge against India for the services of that quarter?—Yes.

844. As we have already heard, it was impossible to adjust the account quarter by quarter, because time was required for that purpose?—Exactly so; any sums paid in anticipation must be on account subject to further adjustment.

Chairman.

845. The Comptroller and Auditor General states that in reply to inquiries addressed to the Treasury, he was "informed by their Lordships that according to their view the Secretary of State for War made no communication to them in 1869-70 which conveyed his intention to exclude from the Army Votes the pay of colonels of regiments serving in India, and the other charges comprised in the account now under consideration"; does the War Office concur in that view?—No; the War Office produces the Estimates for 1870-71, which Estimates are not only presented to and debated in Parliament, but are also approved by the Treasury before being presented or debated or passed, and in those

Mr. *Welby*, C.B.,
M. *Ryan*,
Mr. *Milton*, C.B.,
Mr. *Minifie*, and
Mr. *Cocks*.

2 May 1877.

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued.*

Chairman—continued.

Estimates we distinctly stated, and in the opening speech of the Secretary of State for War in introducing the Estimates, he stated, and also in an explanatory paper which was circulated with the Estimates, we stated, that for the first time the colonel's pay of regiments serving in India had been withdrawn from the Estimates and would be settled directly with the India Office.

846. You consider that it was sufficient to give such informal notice of an important change like that?—Yes, considering that the Treasury have to approve those Estimates, and that a great many of these things pass verbally between the two Departments; but I would ask the attention of the Committee to a letter of the Treasury approving of the Fourth Report of Mr. Seccombe's Committee: in that letter the Treasury state that they approve of all the various arrangements proposed to be made, with the exception of one, and they consider that they are not called upon to approve that, namely, the arrangement which had been made for the India Office to pay the colonels directly; their words are these: "They therefore assume that their sanction is no longer asked to that portion of the arrangement." A representative of the Treasury is here, and, perhaps, he will explain better than I can what those words mean and whence they arose; I hold them to approve this: that immediately after the arrangement was made for the India Office to pay the furlough pay direct, and to pay the colonels direct, it was found to be inconvenient; there was no difficulty about paying the furlough pay over the counter, but there were difficulties about paying the colonels over the counter, and (of course I am speaking of these verbal arrangements which are only evidenced by this letter) it was clearly understood by the Treasury before they wrote that letter that the India Office was not going to pay the colonels itself.

847. Has this Report or letter ever been before the Committee of Public Accounts or been presented to Parliament?—Yes; it has been printed, I should think, three or four times; it will be found printed *in extenso* in the Appendix to the Report of Mr. Stephen Cave's Committee on Indian Finance, and in several other Parliamentary papers. It is dated the 20th June 1873, and it says, "I am directed by the Lords Commissioners of Her Majesty's Treasury to inform you that my Lords are pleased to approve of the proposals contained in the Fourth Report of the Committee appointed by the Secretaries of State for War and India to make arrangements for adjusting the home charges for effective services of Her Majestys regiments on the East India establishment on the principle of actual charges." Then the proposals are stated at length, and the Fifth is, "That India will pay directly the colonels allowances and the furlough pay. Then this paragraph follows immediately: "My Lords understand that since the date of the Report it has been found impracticable for India to pay the colonels directly; they therefore assume that their sanction is no longer asked to that portion of the arrangement." I submit that that distinctly shows that the Treasury had been made a party to the arrangement by which we paid the

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued.*

Chairman—continued.

colonels as an unvoted service to be recovered from India as a personal account, because, if not, where was the pay of the colonels from the 1st April 1870 to the 20th June 1873 to come from. It certainly was not voted by Parliament, because that arrangement distinctly stated that it would be omitted from the Votes.

848. I understand you to say, that you think the Treasury ought to have understood that the War Office was paying for a service which was not provided for in the Estimates?—I think not only that they ought to have understood it, but that they did understand it.

849. (To Mr. *Welby*.) Was that the understanding of the Treasury?—No; perhaps I may ask the Secretary to the Treasury to read a passage from the speech in which Mr. Cardwell stated his proposal to the House of Commons in 1870.

Mr. *W. H. Smith*.

850. (To Mr. *Milton*.) The passage is this: Mr. Cardwell stated, in proposing the Army Estimates for 1870-71, that there was an item in the decrease, as compared with the Army Estimates for 1869-70; "There is an item in it which is only a transfer of Account, and that is the sum of 67,400*l.* for the pay of the colonels of regiments of the Indian Establishment. It is now arranged that that shall be paid by the Government of India, and therefore of course it is not paid by us, and is not the subject of repayment?"—That is precisely the position of things which I have tried to explain to the Committee, and it is the position which the Treasury in their letter of 20th June 1873 state that they understand and then put aside. The Secretary of State for War distinctly told the House that he would not take the money for it, but that India would, as it were, pay it over the counter. The India Office said it was inconvenient to pay it over the counter, and asked whether we would pay it as a personal unvoted Account. We agreed to do so, and as I say we took the Treasury with us, for when we sent in the Fourth Report of Mr. Seccombe's Committee, using the words that these charges would be paid by India "directly," the Treasury positively picked us up, and told us that "they understood that that arrangement was at an end." That arrangement being at an end, what then took its place? Not a vote of Parliament, because it was deliberately excluded from the Votes, but payment of it as an unvoted service, to be settled as a personal Account with India.

Chairman.

851. Might not the Treasury suppose that after the direct payment had been given up, a Vote would be taken for the service?—On the contrary, they knew that it had not, and it was with their concurrence paid in the way it has been, following the precedent of 70 years.

852. You think that, although they were not distinctly told what you proposed to do, there was sufficient information given to them to enable them to make it out?—I say that although we did not write a formal report, we got an understanding with the Treasury with regard to this.

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued.*

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued.*

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Milton*, C.B., Mr. *Minifie*, and Mr. *Cocks*.

2 May 1877.

Chairman—continued.

this. I will show you a letter of March 1869 (the previous year), in which they authorised this mode of proceeding. When the Estimates were being prepared, it was intended by the Secretary of State to abolish at once the capitation rates, and that India should pay the furlough pay direct, but there was not time then to abolish the previous arrangement, and the Treasury allowed us to go on for one more year on the old system. We then wrote to the Treasury to say that in consequence of this expected arrangement, we had not taken a Vote for the furlough pay, whereupon the Treasury, very sensibly, authorised us to intercept 120,000 *l.* of the incoming contribution from the India Office, and to pay the furlough pay with that, which we did. The Treasury, therefore, distinctly authorised us to pay 120,000 *l.* in that year, which was not voted by Parliament.

853. In what year was that?—One thousand eight hundred and sixty-nine.

Lord *Eslington.*

854. Then that is your answer to the charge brought or implied in this Report against the War Office, that they neglected their duty in not bringing distinctly to the cognisance of the Treasury this change which had been effected in their Estimates?—Partially; but further, in laying these Estimates before the Treasury for their deliberate acceptance, we did, in fact, print upon the face of them, and also put into an explanatory paper attached to them, and circulated with them, a statement which called the attention of the Treasury distinctly to the facts.

Mr. *W. H. Smith.*

855. I think the difficulty is this, the Army Estimates contain a statement of an intention on the part of the Secretary of State for War, which was not carried out?—No, not in regard to the payment of the colonels.

856. The Secretary of State, according to the report of his speech, which I have read, and which you say is notice to the Treasury, stated that the amount of 67,400 *l.* should be paid by the Government of India direct to these officers?—It does not say to these officers directly; I have no doubt that the meaning was that it was be paid over the counter. The Secretary of State did not consider it any deviation from that, that it should be paid to the agents, and recovered by them over the counter.

857. I have read the Papers which have passed, and it appears to me that it was intended as meaning that India was to pay this sum in some shape or way without troubling the War Office to make the payments for her?—Yes.

858. That was the plain meaning of the arrangement?—It was.

859. But it was found impracticable to carry out that arrangement?—It was.

860. And the War Office continued to make the payments on behalf of India?—No; an enormous difference was then made. Up to that date the War Department had paid on account of the Vote, and after that we paid as a personal advance to India. That is where the difficulty arises.

861. Where was notice given that that payment was being made by you as a personal advance on account of India?—I say that I do not believe it was ever given in writing, but that it was notified to the Treasury is proved by their own letter, pointing out to us that we had recommended still this direct payment, and that they understood that that arrangement had been altered; therefore they did understand it; their whole letter shows it; in fact, we were guilty of a slip, and they picked us up, as I observed before. They said, "You are here, in 1873, recommending to us a direct payment, when you know that we have arranged among ourselves to adopt, not a direct payment, but a payment on personal advance."

Chairman.

862. (To Mr. *Welby.*) Was it understood by the Treasury that these payments were being made by the War Office in advance for the India Office?—Most distinctly not. Under no circumstances whatever had the Treasury the least idea, in any way, form, or shape, that the War Office were departing from what they looked upon as the compact made with Parliament in 1862, that the effective charges of India should be voted by Parliament. They would read that statement made by Mr. Cardwell as meaning that the colonels were to be paid by the War Office directly, because Mr. Cardwell follows it up by stating that there would be no repayment by India. If there was to be no repayment by India, according to Mr. Cardwell's words, how was it possible that such an arrangement as this, which has been going on until now, would be carried out? I should add that when the time came for laying these Estimates, to which allusion has been made, before the Treasury, I mean the Estimates for 1870-71, the War Office made no allusion whatever, in the letter accompanying those Estimates, to the change which was going to be made. The Treasury consider that if such a change was going to be made, it ought to have been distinctly stated to the Treasury, and the approbation of the Treasury obtained to it. I believe Mr. Milton stated rather widely that the approval of these Estimates by the Treasury covered everything. I should like the Committee to hear the letter which the Treasury wrote to the War Office upon the approval of these Estimates: "I am directed by the Lords Commissioners of Her Majesty's Treasury to convey to you, for the information of Mr. Secretary Cardwell, their Lordships' approval of the Estimates for 1870-71, which he proposes to submit to the Committee of the House of Commons, as transmitted in your letter of the 19th instant. I am, however, to add that my Lords would request that the attention of Mr. Cardwell may be drawn to the fact of the Estimates having been laid before the House of Commons without even the formal sanction of this Board having been obtained to them." (Mr. *Milton.*) May I observe that that circumstance would make the Treasury look at them when they did get them much more closely than usual? (Mr. *Welby.*) The War Office having laid the Estimates for 1870-71 before the Treasury without calling their attention to this change, nothing more was stated upon the subject

Mr. *Welby*, C.B.,
Mr. *Ryan*,
Mr. *Milton*, C.B.,
Mr. *Minifie*, and
Mr. *Cocks*.

2 May 1877.

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued.*

Chairman—continued.

ject until the Third and Fourth Reports of the joint committee of the India and War Office were laid before the Treasury. In the Fourth Report of that committee, which is dated, I think, the 12th April 1872, it was stated, "India will pay directly the colonels' allowances and furlough pay." That clearly puts the colonels' allowances in 1872 upon the same footing as the furlough pay, which was paid by the India Office directly without the intervention of the War Office. Nothing could be more correct than such a proceeding, and nothing could have more entirely commanded the approbation of the Treasury. The War Office, in forwarding that Report to the Treasury, did not say to them, "It is perfectly true that the India Office is paying the furlough pay directly, and making no repayments on account of it, but we are paying the colonels' allowances out of other funds, so that year by year a large amount is running up on this account, for which we have no means of providing legally." Nothing of that kind was said by the War Office, and the answer of the Treasury, which Mr. Milton has quoted, which was written some time afterwards, and written in entire ignorance of the possibility of such a course being adopted as the War Office was adopting, raised the question whether the arrangements proposed as to the colonels had not fallen through. The idea which every person connected with the Treasury would have formed of that would have been, of course, that the sum had been put upon the Estimates again, and the question was asked in the Treasury letter with a view to elicit, if necessary, from the War Office what the facts were; but to that letter no answer was returned. (Mr. *Milton.*) It is not usual to answer a letter which states that it is "assumed" so and so. As I said before, Mr. Cardwell, when he made that speech, meant (I will not say "if he meant anything") that it should be paid direct by India without any repayment, and that was the arrangement according to the Report of 1870, and as I have said, through a careless slip, it was repeated in the Report of 1872, but it was the Treasury themselves who picked us up for it; they distinctly stated in that letter which I have quoted, "We understand that that arrangement has been changed, and that there is an arrangement now which requires no sanction of the Treasury to be given to it." In regard to their having supposed that we had put it upon the Estimates of the subsequent years to an amount of 150,000 *l.*, I very much doubt whether the Treasury watches the Estimates so slightly as not to know whether we had or had not done that.

863. The Comptroller and Auditor General also states that he was informed by the Treasury that "The War Office did not at any time between 1869–70 and November 1875, call the attention of the Treasury to the large sum charged to War Office balances on account of Indian payments;" do you agree with that statement?—Certainly not; that balance which, as I have explained, had been built up under the Appropriation Audit of the Comptroller and Auditor General, was every year printed by us, and reported in our balance sheet to Parliament,

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued.*

Chairman—continued.

to the Treasury, and to the Comptroller and Auditor General; therefore every one of those three authorities had notice how this balance was growing up; and with reference to our not having sooner gone to the Treasury to be repaid these balances, I think I shall clearly show to the Committee that when we did go, instead of being years behindhand, we were then premature, and years beforehand; for this money having passed from Indian revenues to British revenues was not available for us out of the hands of the Treasury, whom we understood to be, as the Chairman of this Committee last year aptly described it, holding the stakes between the two parties to the dispute; that money was not available for us, and we had no right to ask for one penny of it until we could come to the Treasury with the certificate of the India Office, that for that year (the first year first, and the second year afterwards) we had agreed upon what was the sum really expended and rightly payable out of that money which has been described by the Secretary to the Treasury as having been received subject to adjustment. When we went to the Treasury in November 1875 we did not go to demand our rights; we went as suppliants *in formâ pauperis* to state that we could not agree with our adversary on a single item; but as our public balances were running low, we begged, as an act of grace, to receive 300,000 *l.* on account; we were, therefore, clearly premature in our demand for that money; we had no right to demand it then, that is to say, in November 1875, and we are not in a position to demand one penny of it in May 1877; I therefore say that had the Comptroller and Auditor General at all made himself master of the circumstances of this case, he could not have represented us as having been tardy in our application to the Treasury for a settlement from year to year of these claims.

864. You consider that there was nothing objectionable in making these advances out of the general balances of the War Office?—Certainly not; the rule regarding the use of public moneys was clearly laid down by the Finance Committee years ago, namely, that all moneys coming into the drawing account of an officer charged with the duty of drawing on that account were properly applicable to any service to which he was entitled to appropriate any moneys. Not one penny of this was recorded as having been drawn from those public balances until the Comptroller and Auditor General had signed his certificate that he was of opinion that that money was properly applicable to that service.

865. But, as I understand you, you do not consider that this was a service provided for by the Estimates, but only a payment on advance for India?—I have uniformly termed them the unvoted services, as contrasted with the voted services.

866. What I want to know is this; do you consider that the general balance of money provided for the War Office by votes of Parliament is applicable to unvoted services of antecedent years?—Yes, unquestionably it is. The balance in my hand is available for every purpose for which I am justified in employing public money. We do not ear-mark our sovereigns; it was a distinct

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued.*

Mr. *Welby*, C.B.,
Mr. *Ryan*,
Mr. *Milton*, C.B.,
Mr. *Minifie*, and
Mr. *Cocks*.

2 May 1877.

Chairman—continued.

distinct decision of the Finance Committee of several years ago, that a drawing officer having received certain moneys, and brought them to the credit of the account, could employ them for all purposes to which he was authorised to appropriate moneys.

Lord *Eslington.*

867. Do not your balances accrue from many other sources than the Votes of Parliament?—Of course they do. Several pages of our Appropriation Account are devoted to the statement of our balances, and that balance sheet is furnished under Act of Parliament to the Comptroller and Auditor General, and every penny of those balances, from first to last, is built up solely on his certificate, that it arose from a proper application of public moneys.

868. In that case I presume that the Appropriation Act itself does not apply to those portions of your balances which accrued from other sources than moneys voted by Parliament?—The Appropriation Act having authorised the Comptroller and Auditor General to call for a balance sheet of all moneys in my charge, they all come under the Appropriation Act.

Chairman.

869. I forget whether you stated last year, or whether you have stated anywhere, on what ground you considered that the Treasury was holding these large sums in suspense?—We knew from the India Office that they were paying just the same estimated contributions into the hands of the Treasury as they did before, minus the furlough pay. We therefore concluded or assumed that the Treasury was holding this money with a clear demarcation between the voted and the unvoted services for our use. We ascertained, for instance, that in the year 1873-74 the India Office had paid to the Treasury an account as part payment for that year, and the Treasury had agreed with and accepted from the India Office 450,000*l.* on account of the effective charges, when in the Secretary of State's Estimates laid before Parliament, and approved by the Treasury, it was printed in the largest figures to be found in those Estimates that the total amount of that bill for that year was estimated as 360,000*l.* Now I will ask this Committee, without talking about men of business, whether anybody ever yet heard of a bill for 360,000*l.* being met by a part payment of 450,000*l.*

Mr. *Seely.*

870. Are these matters in dispute between the War Office and the India Office of great moment?—The matters in dispute between the War Office and the India Office regarding the voted services are essential, and very large indeed; but with regard to this sum now in dispute of 500,000*l.*, I am not aware of any important difference between us. The India Office have requested that, as they made the payment in one sum, the settlement of the accounts may be in one sum.

871. My question refers to the matters which have prevented the settlement of this Account; are they of great importance?—Taking this as

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued.*

Mr. *Seely*—continued.

part of the entire account, they are of primary importance, and we have not agreed upon the mode of settlement applicable to the very first year.

872. Have you come, or are you coming to any arrangement now?—No, the arrangement appears to me to be as far off as possible. (Mr. *Cocks.*) Perhaps the Committee will allow me to say, that there are only two outstanding questions, I believe, but they are large ones. (Mr. *Milton.*) I wish to point out to the Treasury that this is, in fact, an account current, and the only amount not adjusted is in effect the balance, and if they look at this very Report, they will see that the balance is in favour of the British Government. But the whole of my unadjusted expenditure of 582,000*l.* sinks into insignificance when the Committee consider that the Treasury have an unadjusted account with these Exchequer payments of 2,500,000*l.*

873. Are there only two questions which prevent the settlement of this account?—Two leading questions. (Mr. *Cocks.*) I am only aware of two leading questions.

Chairman.

874. (To Mr. *Welby.*) Is there any examination by the Treasury or by the Audit Office of the balance sheet attached to the Army Appropriation Account?—It is no part of the duty, so far as I am aware, of the Treasury to examine the balance sheet.

875. (To Mr. *Ryan.*) Nor is it the duty of the Comptroller and Auditor General?—Under the limited examination hitherto given to the Army Accounts, it has never been held to be the duty of the Comptroller and Auditor General to satisfy himself of the correctness of these balances. The certificate given upon the Army Accounts is purposely of a limited character, as showing the limited nature of the examination. The Comptroller and Auditor General has never hitherto considered it part of his duty in any way to inquire into any one of those balances, or to certify to them, or to ascertain in any way that they are correct. Of course, what may be done hereafter with the larger test examination is another question. But I am instructed on his behalf to say, in the most distinct manner, that he has never held himself liable for the statement of balances attached to the War Office Account.

876. Had the balances been examined, I presume that examination would probably have led to the discovery of these irregularities?—If the balances had been examined it would unquestionably have been the duty of the Comptroller and Auditor General to point out the fact of this large accruing and outstanding balance, and he would have done so. He furthermore stated before this Committee last year, that even although he did not admit the duty, had the fact come before his individual notice he probably should have gone, as he then considered, somewhat out of his way, and brought the matter forward. (Mr. *Milton.*) I feel bound to refer the Committee to the 25th Clause of the Exchequer and Audit Departments Act, under which the Comptroller and Auditor General acts: it is in these words: "The departments charged

Mr. *Welby*, C.B.,
Mr. *Ryan*,
Mr. *Milton*, C.B.,
Mr. *Minifie*, and
Mr. *Cocks*.

2 May 1877

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued*.

Chairman—continued.

with the duty of preparing the Appropriation Account of a grant shall, if required to do so by the Comptroller and Auditor General, transmit to him, together with the Annual Appropriation Account of such grant" (which is our case), "a balance sheet so prepared as to show the debtor and creditor balances in the ledgers of such department on the day when the said Appropriation Account was closed, and to verify the balances appearing upon the Annual Appropriation Account." It was therefore by the Act made a distinct portion of the Appropriation Account; it is true that the Comptroller and Auditor General did not examine it, but that is because every farthing is built up under his daily certificate.

877. (To Mr. *Ryan*.) You consider that you were never called upon to test the balances?—Distinctly so. Mr. Milton has often used the expression that the Comptroller and Auditor General gives a certificate to him. It has not been explained to the Committee what that means, but to prevent any misapprehension I may be allowed to say that the Comptroller and Auditor General never certifies anything at all with regard to those accounts; his clerks pass the items in the daily accounts, but he gives no formal certificate. (Mr. *Milton*.) In our office we consider a tick or check as a certificate in honour, implying that the man who has ticked or checked that item has examined it and certifies that it is rightly applied. Of course we cannot have a written certificate from the Comptroller and Auditor General for every figure in the place, and we have accepted, in lieu of a formal certificate, a tick against every farthing of this sum from the Comptroller and Auditor General, to prevent his having to write out and sign some 200,000 certificates or more every year. I do not go home any day until I have been certified by his officers that every penny of my expenditure laid before them that day has been properly applied or has not been properly applied, as in the instances which I have referred to in the book I hold in my hand.

Mr. *W. H. Smith*.

878. (To Mr. *Ryan*.) The Comptroller and Auditor General says, in the seventh paragraph of his Report: "The Treasury, however, continued as before to issue receivable orders to the Bank of England to receive the whole amount to the credit of the Exchequer; and it would further appear that the authorities of the War Department only became aware that the money had for so long a period been thus irregularly diverted in November 1875." I wish to ask you whether you are prepared to say that there was any irregularity on the part of the Treasury in treating as revenue money which India had paid to them?—There was no irregularity on the part of the Treasury in the view of the Comptroller and Auditor General in carrying to revenue money which appeared to them to be properly revenue. The payment was not in his view due to revenue, inasmuch as it ought to have been applied in settlement of a claim due to the War Office; but the War Office themselves, as the Comptroller and Auditor General understood, did not become aware

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued*.

Mr. *W. H. Smith*—continued.

that they were being pressed upon by the advances which they had made until November 1875. Had they become aware of it earlier they would have made an earlier application. That was his view at the time the Report was written.

879. I should like to ask you further whether the Treasury has it in its power to treat money in any other way than as revenue if it is paid into the Exchequer?—They have clearly no authority to divert from the Exchequer any sum which is due to the Exchequer.

880. Is there such a thing as a suspense account under the control of the Treasury?—The Comptroller and Auditor General does not consider that there ought to be any suspense account. He considers, as is shown by the subsequent part of this paragraph, that the settlement should have been made almost *pari passu*, or within three months of the advance, not necessarily through the Treasury at all.

881. (To Mr. *Milton*.) I wish to ask you a question with reference to an answer which you gave just now. I think I understood you to say that the War Department was not now in a position to claim the payment of any portion of the account from 1869–70 which remains unadjusted as between the War Department and India?—Yes.

882. And that, therefore, it is an act of grace on the part of India to pay on account?—No; I said we came to the Treasury to perform an act of grace. Knowing, I will say, in the year I have instanced, 1872–73, that they had received 450,000 *l*., whereas the voted services only required, as stated in the Estimates in large figures 360,000 *l*., we firmly believed that they had a balance of 90,000 *l*. That 90,000 *l*. is, as I understand it, the portion which the Comptroller and Auditor General states to have been, in his opinion, irregularly diverted from the purpose for which it was paid, in being treated as revenue by the Treasury. It arose simply from the fact that when agreeing with the India Office as to what subsidy should be paid, the Treasury never asked the War Office whether it was too much or too little, or what it was for. They accepted that sum without knowing what it meant, or why that amount was to be paid. If they had made inquiries they would have found that, to express it shortly, 360,000 *l*. belonged to the Exchequer and 90,000 *l*. belonged to the War Office, and it is that 90,000 *l*., which belonged to the War Office, and was intended for them, that is stated to have been irregularly diverted from the War Office to the Exchequer. When we applied for that money, and found that there was none for us, because the Exchequer had received our money, we drew the attention of the Treasury to the fact that there was still a large sum of money coming in that year from India belonging partly to us and partly to the Exchequer, and that was of an amount which would far more than meet our demand, and we suggested that they had nothing to do but to divert the 335,000 *l*. so as to pay us 300,000 *l*. and the Exchequer 35,000 *l*. We were then met by the statement that that would not be constitutional, as it would be diverting from the Exchequer money which had been agreed to be put into the Exchequer, but

we

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued.*

Mr. *Welby*, C.B.,
Mr. *Ryan*,
Mr. *Milton*, C.B.,
Mr. *Minifie*, and
Mr. *Cocks*.

2 May 1877.

Mr. *W. H. Smith*—continued.

we showed to the Treasury that in settling these accounts (which accounts, being subject to adjustment, must always have a balance one way or the other) for the year 1868-69, instead of going to the House of Commons for a Supplementary Vote for the balance due to India of 48,000 *l.*, which was the course the Treasury were driven to in this case, namely, putting a Supplementary Estimate before Parliament, the Treasury diverted that 48,000 *l.* from the subsidy in course of payment for India in that year, and took only from India, and paid over into the Exchequer, the balance. Again; in 1871 they did the same with 30,681 *l.* due on the adjustment over-paid in 1869-70. Had they taken the same course with regard to our 300,000 *l.*, there would have been no need for this Supplementary Estimate, and, of course, our accounts would have been adjusted in that year and the following six months.

883. I think you rely to some extent upon the statement made by Mr. Cardwell in Parliament on the Army Estimates as being notice to the Treasury of the change of practice; on the other hand is it not the fact that the Chancellor of the Exchequer, in his annual Budget speech, stated from year to year the extra receipts to be paid by India and the War Office, as appearing in the accounts in the fourth page of the War Office Estimates, showing the receipts as actually paid over to the Exchequer, including these amounts from year to year; so that the War Office has had notice first of all through the Chancellor of the Exchequer in his Budget, in the same way in which the Treasury may be said to have had notice through Mr. Cardwell, but, still more seriously, in the acknowledgment on the fourth page of the Army Estimates of the extra receipts paid into the Exchequer on account of Army Services?—In reply to your question, I beg to point out, subject to correction, that I do not think the Chancellor of the Exchequer ever details the miscellaneous receipts; he states in round sums his total Budget. We then come to that printed paper, and my only answer to that is that I have looked through the papers and I cannot find that in any one single year during the time under discussion, the sums paid into the Exchequer and brought forward in the Finance Accounts, have any relation whatever to the sums which should have been paid and were due for the year. So far from this being any guide to us, the figures as they appeared in the Finance Accounts for some of the years, distinctly satisfied us that money was held back by the Treasury for us. In one year, as you are aware, 418,000 *l.* was held back by the Treasury and brought into the account of the next year. In the following year 203,000 *l.* was received in March and brought into account the next year. That being so, how could the record of the sum, in fact received during the year, possibly be a guide to us as to the sum due for the year when the two were never the same amount? I did not wish to open up this question, but, the question having been put to me, I say that the Finance Accounts, so far as they guided us, misguided us.

Chairman.

884. (To Mr. *Welby.*) Does the Treasury ever receive moneys on behalf of other Departments which are subsequently to be paid to them?—I understand the noble Lord to mean, to hold on deposit, as it were. There are a number of accounts on which the Treasury hold money, that is to say, money which is not due to the Exchequer. I do not know that I should say that it is held for other Departments; under various Acts of Parliament they do hold moneys, but those moneys are not due to the Exchequer.

885. They may subsequently hand over those moneys to other Departments for expenses incurred by them?—No. I will take one case, as an example: there are certain estates realised of intestate persons, for instance, and sums so realised come into the hands of the Treasury, and are held on a deposit account; but by far the larger part of them are paid away to persons who eventually make out their claim; that money is held on deposit.

886. What I wish to ascertain is, whether it is ever the custom to pay money to the Treasury to be held by them on account of other Departments, in order to defray expenditure incurred by those Departments?—No.

Lord *Eslington.*

887. (To Mr. *Milton.*) Do I rightly understand you to complain that the origin of these irregularities and errors arose from the fact that the Treasury agreed with the India Office to receive certain sums of money without knowing at all how much would be wanted, and without referring to you to obtain the necessary data and information on which to found the agreement?—That is distinctly and exactly the case; that is the *fons et origo mali* from first to last; the Treasury passed our estimates in the year I have alluded to, 1872-73, in which 360,000 *l.* was printed in large figures, as the total that we expected to receive from India. Whether or not, when making up the Budget and communicating with the various Departments, they lose sight of the fact that Indian money is very different from other inter-departmental moneys, it is not for me to say; but in fact when making up the Budget and seeing what India was to pay, the Treasury accepted the sum of 450,000 *l.* as owing for expenses incurred by the Secretary of State for War, and never asked the Secretary of State for War whether that was too much or too little, or what it was for. That was, I may say, the beginning and the end of this entire disturbance.

Chairman.

888. In paragraphs 8 and 9 the Comptroller and Auditor General calls attention to the dates of presentation of War Office claims to the India Office, and shows that those claims were presented a considerable time after the bases of those claims were adjusted by various Committees which had been appointed; but he adds that he is not aware whether the Reports of those Committees were officially approved; can you inform the Committee whether the Report of the Committee appointed in 1869 was approved?—Certainly; and I should have been very happy to have informed the Comptroller and Auditor General of that part if he had asked me. The Report was dated, as he has stated, on the 12th April 1872; it was

Mr. *Welby*, C.B.,
Mr. *Ryan*,
Mr. *Milton*, C.B.,
Mr. *Minifie*, and
Mr. *Cocks*.

2 May 1877.

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued.*

Chairman—continued.

approved promptly by the Secretary of State for War, and by his orders sent to the Treasury for their formal sanction; it was sent to them on the 25th April 1872; we wrote a letter begging for their sanction on the 30th May 1872; we wrote again, begging for their sanction, on the 29th June 1872; we wrote again, begging for their sanction, on the 12th September 1872; and we sent over several requests urging for a decision. We received that decision, without which, of course, it was impossible for us to present any account, on the 20th June 1873. Instead of having been 15 months, as is stated in what I must call a sensational schedule in this Report, on the fifteenth day after getting that approval we sent in our Account for a period of 12 months. Foreseeing this delay, and the probability of objection to it, I had begged my very able assistants, who are in charge of this Account, to get forward with it, assuming the former sanction of the Treasury, as we were 14 months in getting that sanction, and the consequence was, when it came we were nearly ready, and in 15 days afterwards we sent in a 12 months' Account, and in 40 days after that we sent in another 12 months' Account. I think there was no want of promptitude there. With regard to the second two years included in this schedule, the like course took place with regard to the India Office, who were very unwilling to accept the arbitration of Mr. Bouverie. The Report of that arbitration was dated June 1875, and was accepted by the India Office on the 28th of August 1876. On that occasion, again, it will be seen that in two months after getting their acceptance we sent in a 12 months' Account, and in two months after that again we sent in another 12 months' Account, and two months after that we sent in another 24 months' Account. In fact, we sent in the Accounts with what I may call dangerous quickness, and I think that we ought not to have been subjected to this Report, which rests upon utterly unsound data with regard to delay in rendering these Accounts. The date of the Report of the Committee has no more bearing upon that of the date when action could be taken by us in the matter than the date of the birth of the junior member of it; in fact, we sent in the Account in as many days as we are reported to have taken months.

889. (To Mr. *Welby*.) Can you state why the Report, dated the 12th April 1872, was so long before it received the Treasury sanction?—There was a mistake made first of all in dealing with the Report. The War Office did not bring the cases clearly before the Treasury, and the Treasury did not answer the whole; they answered a portion, but not the total amount of questions brought before them. The Treasury, in fact, not knowing anything about the basis upon which the arrangements proposed by the Committee were made, were puzzled as to how to deal with the Committee's Report. The War Office letter was of the briefest description, and gave no clue to the reasons for their recommendations, nor did it say anything as to the probable effect and working of this Report. That was the cause of the delay; I do not mean to say that it was a justification of it. (Mr. *Milton*.) May I venture to suggest that Mr. Welby should

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued.*

Chairman—continued.

be asked whether the Treasury asked for any explanations. (Mr. *Welby*.) I should not like to say that without reference to the papers upon the case. I have just stated that I do not consider that that was any justification for the delay.

890. (To Mr. *Cocks*.) Then the Comptroller and Auditor General states that "whatever amount of blame may or may not be attached to the War Department in this matter, it appears to me that still less effort has been made by the India Office to obtain a final settlement of these claims." Can you explain that?—There is some imputation of laxity thrown upon the India Office which I do not think it deserves. Perhaps the Committee will allow me to explain at some little length the whole history of this matter. Sir Charles Jackson, my predecessor, in June 1872, and also in November of the same year, applied to the War Office for the Accounts for the year 1870–71. The answer (received, I think, in the month of June) stated that the Account would be delivered in July 1872; it actually was delivered in the India Office in July 1873, exactly a year after the date when it was promised. Its joint examination by the Finance and Audit Departments was commenced some time afterwards. I may be allowed to explain that, for the sake of economy, it has been found convenient that the examination of the Army Accounts should be conducted concurrently by the Finance Department and my own. That concurrent examination of this Account was commenced in January 1874. On the 3rd of March 1875, a Paper containing objections to the Account was forwarded to the War Office, and was replied to on the 31st of August 1876, more than 17 months after our first objection was raised; that, perhaps, may have arisen from the fact that various Committees were then sitting. In addition to these, other objections were raised and transmitted to the War Office in the form of separate correspondence. For instance, on the 12th of February 1874, a memorandum was referred to the Financial Secretary with regard to the charge for recruits and drafts, and a letter upon that subject was sent to the War Office, dated the 6th of June 1874. The letter was replied to by the War Office on the 21st January 1875. A further letter on the same subject was addressed to the War Office on the 3rd of March 1875, to which, after applications had been made on the 8th of December 1875 and the 3rd of November 1876, a reply was received on the 25th of November 1876. A further letter on the same subject was addressed to the War Office on the 31st of January 1877, to which no reply has yet been received. With reference to Mr. Milton's letter of 5th March last (Appendix E.1.), in which he states, "I am to acquaint you that the only objections received from the India Office to the Accounts rendered, are those relating to the year 1870–71, which have been answered in due course," I would remark that that statement is not quite correct, for there were then outstanding two letters, one relating to the allowance granted to men on discharge to pension, which was sent on the 6th of February, and replied to on the 9th of March, and the other relating to recruits which was sent on the 31st of January, and to which no reply

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued.*

Mr. *Welby*, C.B.,
Mr. *Ryan*,
Mr. *Milton*, C.B.,
Mr. *Minifie*, and
Mr. *Cocks*.

2 May 1877.

Chairman—continued.

reply has yet been received. I may be allowed also to state that the discrepancy pointed out in the Report between Mr. Seccombe's dates and my own only amounts to this. The War Office Accounts are rendered, in the first instance, to the Finance Department. In replying to the letters which were addressed by the Comptroller and Auditor General to Mr. Seccombe and to myself, Mr. Seccombe, in stating that the Accounts up to 1873-74 were under examination, spoke for his own department; whilst I, in referring to the Accounts for 1870-71, spoke for mine. I have spoken to Mr. Seccombe on the subject, and pointed out to him what appeared to be a discrepancy, because the examination of the two departments is generally conducted concurrently; and he has informed me that although the Accounts subsequent to 1870-71 were under his examination, the examination in question referred to matters of principle, and not to matters of detail, and therefore he had not given me any intimation that he was prepared to undertake the concurrent examination with me. He has now given me that intimation, and the Account for 1871-72 is now being proceeded with by both departments. We have put on all available strength, and I am going to ask for an addition to our staff. We shall send our objections to the War Office, but whether they are replied to or not, these Accounts will be examined without delay until they are finished.

Mr. *W. H. Smith.*

891. Is there an agreement in principle up to the year 1871-72?—No, I am sorry to say there is no agreement whatever. The great recruit question is still open, as it has been for five years now. (Mr. *Milton.*) For seven years. (Mr. *Cocks.*) Yes, it is seven years now, and it is not settled. We are waiting for a reply from the War Office; but when that will be given I cannot tell you, nor can I say whether the Council will agree to it when it is received. That brings me back to a matter which I was about to deal with. Sir Charles Jackson, my predecessor, finding that he was unable to proceed with the examination of these Accounts, stated, in his Report to Parliament for the year 1872-73, that he would call for no more Accounts; he found it was of no use calling for the Accounts, because he could not proceed with their examination, and I have myself acted upon the same principle. I found that it was perfectly hopeless to proceed with them, and accordingly for the three years I have been in office, I have never dealt with the Accounts in any way whatever, except by making some few observations from time to time. But now I feel that these arrears have become a matter for serious consideration, and that every exertion must be made to dispose of them.

Chairman.

892. Has not this recruit question been dealt with by Mr. Bouverie's Committee?—That portion of the recruit question which is now in dispute has not been dealt with by Mr. Bouverie's Committee. (Mr. *Milton.*) I feel bound to add that, on the receipt of the letter from the India Office in

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued.*

Chairman—continued.

January last, which has just been referred to by Mr. Cocks, it was felt by the Secretary of State for War to be so hopeless to expect that any arrangement would be come to with the India Office, that it was referred to the Treasury, in whose hands it has been for some short time now. (Mr. *Cocks.*) May I be permitted to say another word by way explanation. It is stated by the Comptroller and Auditor General, by inadvertence, of course, "the recommendations of the latter Committee" (Mr. Bouverie's Committee) "are now the acknowledged basis of adjustment of the claims of the War Office against the revenues of India." So far from that being the case, that basis expired on the 31st of March of the present year; therefore at this moment we are practically without any basis at all for our future Accounts, the basis of adjustment proceeding upon the recommendations of Mr. Bouverie's Committee having expired more than a month ago. (Mr. *Milton.*) The recommendations of Mr. Bouverie's Committee were made applicable solely to the Accounts terminating on the 31st March 1877, which have not yet been examined. (Mr. *Cocks.*) That is so; but from the 31st of March of this year we have no acknowledged basis of adjustment of any sort or kind.

Mr. *W. H. Smith.*

893. I understand that there are two periods; there is the period up to the 31st of March 1872, and there is the period from the 31st of March 1872, is that correct?—Yes, but for neither period can the accounts be closed.

894. You proceed on one basis up to 31st of March 1872, and on another basis, that is to say, the basis of Mr. Bouverie's Report, from the 31st of March 1872; is that correct?—Yes. (Mr. *Milton.*) I think Mr. Bouverie's Committee said that for the first year (1873) we should go upon the old lines, but that Report is the basis after that time.

895. (To Mr. *Cocks.*) What I want to get at is whether the India Office and the War Department agreed that the bases of an account were determined and are determined?—Not wholly determined, certainly in the case of any account, but partly determined. (Mr. *Milton.*) Up to the 31st of March 1877 they were. (Mr. *Cocks.*) But that will not cover the recruit question.

896. You say that there is a question which is not included in those bases?—It is not quite accurate to say that it is not included. I should rather say that it is not settled, because we have now sent a letter to the War Office upon the recruit question, which is not answered. (Mr. *Milton.*) But that applies to the first period which has been alluded to by the Secretary to the Treasury, not to the arbitration period. (Mr. *Cocks.*) Each Report refers to a different branch of the army, one refers to infantry, another to cavalry, and another to artillery. (Mr. *Milton.*) No, that is not the arbitration report.

897. (To Mr. *Cocks.*) I think that is true of Mr. Seccombe's Report, but not true of Mr. Bouverie's Report; Mr. Bouverie's Report was intended to be an arbitration upon all the questions?—Yes, no doubt that was so.

Mr. *Welby*, C.B.,
Mr. *Ryan*,
Mr. *Milton*, C.B.,
Mr. *Minifie*, and
Mr. *Cocks*.

2 May 1877.

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued*.

Mr. *W. H. Smith*—continued.

898. And that is accepted by the India Office as binding upon them from a certain date?—Yes, from a certain date, and up to a certain date.

Chairman.

899. Only up to a certain date?—Yes, it has expired now.

Mr. *W. H. Smith.*

900. What is the contention?—The chief contention now relates to the recruit question. (Mr. *Minifie.*) I can give you the heads of the recruit question if you wish. (Mr. *Milton.*) There is no point of contention under Mr. Bouverie's arbitration with regard to that. The contention upon the recruit question is under the report of Mr. Seccombe's committtee. The arbitration was accepted by the Secretary of State for India, but he thought the award so hard that he put a term to it, namely, the 31st of March last; but for the accounts from the 1st of April 1873 to the 31st March 1877, the award of Mr. Bouverie is law.

901. You say that the Secretary of State for India has given notice to terminate the settlement of accounts under Mr. Bouverie's award on the 31st of March 1877; is that so?—It is.

902. And the Secretary of State for War has accepted that notice?—Yes; we have received that letter; no action has been taken upon it. We did not agree, if I may say so, with the right of the Secretary of State for India to limit that award; we considered that it was settled by an agreement between the two offices as an arbitration. The Secretary of State for India, as I said just now, finding that the terms were even harder than those of the former settlement against which it was an appeal, said, under the changing aspect of affairs, he had better agree to it only up to the 31st of March 1877.

903. What I want to find out is, on what grounds the accounts are disputed by India, on questions of principle, prior to the 31st of March 1873?—The grounds of dispute are the dissatisfaction of the Indian Government with the amount of training supplies to the recruits who went out. The basis of that Report and of that settlement was a sum or price current for each man who embarked on board ship to go to India, in two classes; first, the corps that went out *en bloc*; secondly, the reinforcements that went out in drafts. In building up the cost of these recruits or reinforcements, we ascertained carefully what was considered to be the proper length of time that a recruit should be under training to fit him for India; and the Horse Guards having said (I will confine myself entirely to the infantry to make the matter simpler) that it was at least six months before a man was able to be certified as having passed his musketry instruction, and as being an efficient soldier, we said that we would calculate the cost of his being under training for seven months. Now, the embarcations for India can only take place during a limited portion of the year, although the enlistment for the army, being voluntary, goes on all the year round. The result is, that some men are 14 months under training, and some eight months, but the minimum of the men who were to be allowed to go was

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued*.

Mr. *W. H. Smith*—continued.

seven months. The cost of seven months' training was agreed upon as the fixed cost of each soldier embarking for India. When the time came for them to embark they were very short of men, but very well supplied with ships; and the Indian fleet belonging to the Indian Government, there would have been an unnecessary waste of money had they gone out with half their berths filled, on account of the want of recruits. The Adjutant General therefore suspended for a while this qualification of seven months' service, and shipped men of much shorter service. When they got out to India, reports were sent back to this country that whereas the bargain was for a seven months' man, the article sent out was a three months' man, and on that ground they said they were over charged. We regretted very much in the Financial Department that there has been this pressure put upon the Adjutant General. It was a pressure distinctly on the demand of the Indian Government, and the alteration was made to meet the wish of the Indian Government. However, there was no doubt that the recruits sent out had not had the training that was agreed upon, although, of course, we did not say anything about those who had been under training for nine or ten months, who were above the average. The rule, in the Secretary of State's Office, has always been to claim from India the minimum sum that could be charged; we therefore agreed to take half-price for those recruits who were below the agreed-upon length of service, instead of the full price. The India Office then raised another objection; they said that some of the recruits, instead of being too young, were too old, because they had been in the service for 13 or 14 months. We said that is no loss to you; we only charge you for seven months, and you agreed to that; they claim, however, that every one who had been in the service more than one year should be paid for as a damaged article, and not as an effective soldier, the fact being that under a resolution of the House of Commons the Horse Guards are not at liberty to let a man go to India unless he is 20 years of age, except when it cannot be helped. I need hardly tell the Committee that we cannot get men to come to us at exactly 19 years and five months old, so as to be able to send them out just at the age of 20. They come to us at the age of 17 or 18, and therefore it was arranged by the Secretary of State for War, that as we could not keep to the limit of 20 years of age, the qualification should be that they should have 12 months' good feeding in the army, and that no man should go to India, as a rule, unless he had been receiving the Queen's rations for 12 months. (Mr. *Minifie.*) In addition to what has been stated by Mr. Milton with regard to the India Office objection, that recruits of under three months' service were sent out, there was one very important question raised by the India Office which Mr. Milton has omitted to state, and that was, that not only were some men sent out too young, but also others were sent out too old. Statements were prepared and laid before a Select Committee of the House of Commons on the 30th June 1874, showing that a great number of men were sent out to India who had already been

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued.*

Mr. *W. H. Smith*—continued.

been in India, and were sent back again and charged as recruits. That is the great question now outstanding between the War Office and the India Office; men who had been for a long time detained at a depôt in this country, and old men, were sent out. In the last letter which the Secretary of State for India sent to the War Office, it was pointed out that men after a certain age, after 30, very soon become invalids if they are sent to India. The Secretary of State for India offered to pay for such men the same rates as for difference of men on passage. (Mr. *Milton.*) Mr. Minifie omitted to say after 12 months' service. (Mr. *Minifie.*) That letter is now unreplied to.

904. The Committee wish to know what probability there is of any settlement of this question being arrived at?—That unanswered letter has now been referred to the Treasury.

905. Is the Committee to understand that the recruit question is the only queston of principle which is at issue between the War Department and the India Office, as regards the Accounts of 1871-72?—Yes, I believe so. (Mr. *Milton.*) I am afraid not; there is one also with respect to the distribution of the charges of the men at Netley. (Mr. *Cocks.*) That question has not yet been settled. We sent a letter to the War Office, the reply to which is so worded that we do not quite understand it's meaning, and I am therefore unable, at present, to say whether their proposal will be agreed to. (Mr. *Milton.*) There is to that extent a second question of principle at issue. We shall try to make ourselves better understood by and by.

906. At present I understand that the India Office object to certain claims made by the War Department; is there any probability that the War Department will come to an agreement with the India Office on the subject?—I am afraid not. The view of the Secretary of State for War was, as I stated, that it was hopeless to attempt to come to an agreement, and he therefore deemed it right to refer the letter to the Treasury. It is now referred to the Treasury to settle the matter as between the two combatants or disputants.

907. There is probably a letter in existence on the subject which you can put in?—Yes. (*The same was handed in*, vide *Appendix*.)

908. As to the Accounts under Mr. Bouverie's award, does the same question arise, or are there other questions?—No, I think I am right in stating that no question has yet arisen, and I should have hoped that it would have been impossible that any question should arise; but so we hoped with regard to Mr. Seccombe's Reports, nevertheless questions arose upon them, and the auditor may deem it to be his duty to raise questions upon the three years' accounts under Mr. Bouverie's arbitration. (Mr. *Cocks.*) I thought there was a question, but I see I was confusing two accounts. I have raised a question of principle which applies not to the Army Service, but to the Transport Service.

909. (To Mr. *Milton.*) Then the Committee is to understand that there is no question of principle of any magnitude at issue between the two Departments under Mr. Bouverie's award, that is, beginning from the 31st of March 1873?

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued*

Mr. *Welby*, C.B.,
Mr. *Ryan*,
Mr. *Milton*, C.B.,
Mr. *Minifie*, and
Mr. *Cocks*.

2 May 1877

Mr. *W. H. Smith*—continued.

—I am afraid I must state in answer to that question, that the absence of any objection is accounted for by the fact that up to the present time the Accounts have not been taken up for examination. (Mr. *Minifie.*) The objections made by the India Office at present only apply to the years 1870-71 and 1871-72.

Chairman.

910. (To Mr. *Welby*). The reference of this disputed question to the Treasury is so recent that I presume no decision has been arrived at upon it?—I was not aware that the reference had been made.

Mr. *W. H. Smith.*

911. (To Mr. *Milton*). I understand you to state (you will correct me if I am wrong) that the War Department had a right, and that it was their duty, to use voted moneys to meet any unadjusted accounts or claims that they might have against any other department, and that it was a perfectly regular course to apply money for voted services to the payment of charges set up in this account as against India, or to the payment of any similar charges which might come on the books of the War Department as an account to be determined and settled in some way not clearly foreseen when the account was opened?—That is not my contention in the least. My contention is, that the principle of the Public Accounts, as I feebly understand it, as settled by the Finance Committees of years ago, was, that when any money from any source was paid into the drawing account of any office authorised to draw upon it, he drew upon it indiscriminately for any service that he was authorised to draw for; in fact, that we did not ear-mark our sovereigns as paid in for a particular service, but that the money was simply paid in to his total account. Upon that principle, assuming that the daily issue I made on account of India upon these which are called advances was correct, the whole of the public balances lying in my drawing account were available for that purpose without distinction.

912. (To Mr. *Welby.*) Do you agree, looking at it from the Treasury point of view, with the statement which has been made by Mr. Milton on behalf of the War Department?—I think that Mr. Milton lays down a very dangerous rule, and I think every Treasury officer ought to give a most decided opinion against the rule which Mr. Milton lays down, except under most distinct limitations. If Mr. Milton's rule is carried out, it means that any Government officer who has a right to draw may incur for years expenses on account of a service not voted by Parliament, and may apply to that purpose moneys voted by Parliament. As I understand Mr. Milton's answer, he applies the rule to this particular case in which the War Office carried on for seven years a service not voted by Parliament, and applied to the payment of that service moneys voted by Parliament for other purposes. I cannot imagine a more dangerous doctrine or one more subversive of Parliamentary control. (Mr. *Milton.*) My reply to that is this; the representative of the Treasury has stated that I applied to these unvoted services money voted

Mr. *Welby*, C.B.,
Mr. *Ryan*,
Mr. *Milton*, C.B.,
Mr. *Minifie*, and
Mr. *Cocks*.

2 May 1877.

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued*.

Mr. *W. H. Smith*—continued.

for voted services. It is sufficient to recall to the recollection of the Committee the fact that the question arose upon my having applied the balances of the various funds in my hands, and that is an exact illustration of the absolute necessity of the canon which I have laid down, namely, that when once money comes into a drawing account, no man when it is drawn out can say whether it was received from this source or from that. One side of the table speaks of it as money granted by Parliament, another side of the table speaks of it as balances remaining in my hands from old grants or other funds. It was the great contention, as I have said, of the Finance Committee against the then Exchequer represented by Lord Monteagle (it is understood that Mr. Gladstone carried the point in the Committee), that money placed in a drawing account lost its distinctive character altogether. That does not imply that the person authorised to draw is entitled to apply those public monies to all sorts of unauthorised purposes, but I stated, as clearly as I am able to state it, that I spoke only of those expenditures which he is authorised to make.

913. Do you contend that he is at liberty to apply that money for any service outside the Votes?—Yes, unquestionably. I will just instance the authority of the Treasury in this very case; I have referred to the letter of 1869, in which we told the Treasury that we had not had 120,000*l.* voted for furlough. They told us, "Go on, spend it, and get it from the India Office." Now that was a direct order to spend 120,000*l.* which had not been voted. Moreover, in this Report upon which we had the question as to whether the colonels should be paid directly, there was a further heading, namely, the cost of the men at Netley, and we stated that it was impossible to calculate what this ought to be, and that an exact account should be kept of the cost. The Report of Mr. Seccombe's Committee on the subject was referred to the Treasury for their sanction, and they took 14 months to consider it; it was to this effect: "A statement of the charge on this Account" (that is, the sick men at Netley) "should be annually furnished by the War Office, and after examination by the officers of the Secretary of State for India in Council, should be paid independently of the charge for recruits," the charge for recruits being a voted service, and the bill for Netley being an unvoted service. The Treasury answer was this: first, they picked us up about the colonels, and then they said, under the Heading 6, that they "approve that the expenditure incurred on account of all invalids, or time-expired men awaiting their discharge, is not to be included in the rate per recruit, but is to be paid independently." That was a positive order of the Treasury for us to go on and pay the Netley invalids and recover the money (not one penny of which was voted) from India as an unvoted service.

Chairman.

914. You assume that the Treasury knew that there was no intention on the part of the War Office of meeting the expenditure on that service by taking a Vote for it?—Yes; this was three

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued*.

Chairman—continued.

years after the Votes had been passed not providing for it.

915. (To Mr. *Welby*.) Do you believe that the Treasury intended to sanction such payments without a Vote?—No. The Netley case was never brought before the Treasury in any form. (Mr. *Milton*.) Here it is in Mr. Seccombe's Report, which the Treasury kept for 14 months. (Mr. *Welby*.) The Report of Mr. Seccombe's Committee was laid before the Treasury, no doubt, but there was nothing in it to make the Treasury understand that that sum was to be omitted from the Votes, and they did not understand it so. The paragraph which Mr. Milton has quoted from their letter was never intended to cover any such irregularity as that.

916. Do you consider that the Treasury in 1869 intended to lay down the general principle that sums could be expended by the War Office which had not been voted by Parliament?—No.

Mr. *Seely*.

917. (To Mr. *Milton*). I apprehend that the War Office receives sums of money under the head of Extra Receipts?—Yes.

918. And that those sums are paid to your drawing account?—Yes.

919. Is it your contention that such moneys can be applied by you in payment of any charges that come against the War Office?—Yes; I contend that that money is properly applicable to all proper charges.

920. My question is, to any charge that may come against the War Office?—Any charge which properly comes against the War Office; and, may I add, that it must be so, for I have only one balance; that seems to be lost sight of in this discussion. I have only one balance of my drawing account, and no man living can take hold of a sovereign paid into my account, and follow it through the banker's hands, and say that sovereign you cannot use, but this you may.

921. Supposing that you spent all these extra receipts, how could you then comply with the standing order applicable, I think, to all departments, that extra receipts must be paid into the Exchequer?—Extra receipts are paid into the Exchequer through a book transaction; that is one of the charges paid properly out of those total receipts.

922. If you had paid away all your extra receipts how could you pay them into the Exchequer?—As soon as ever money has gone into my drawing account it has lost its individuality altogether, it cannot be followed; and if I spent my entire balance I must go somewhere and get other monies. For instance, in the case of the Fortification Act, the Treasury found it convenient (and I have no doubt they were quite right) to raise large sums under that Act when we did not want them, and they paid them into my drawing account; and, on the 31st of March 1874, I had at that account 193,000*l.* which was not wanted. Was I to keep any balances redundant or over full to that amount? Not at all; I believe I am right in saying that that was the main credit on which I was able to go on, and on which it was my duty to go, on without calling for more money from the Treasury until the balance

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued.*

Mr. *Welby*, C.B., Mr. *Ryan*, Mr. *Milton*, C.B., Mr. *Minifie*, and Mr. *Cocks*.

2 May 1877.

Mr. *Seely*—continued.

balance was run close. When that occurred in November 1875 I went and asked for money on account.

Chairman.

923. You have constantly quoted from some paper; should you have any objection to putting it in?—No. I beg to hand in a copy of the letters which have passed between the War Office, the Treasury, the India Office, and the Audit Office, on the subject of these Indian payments.

924. Some of those letters are already in the Appendix to the Comptroller and Auditor General's Report?—Yes, we will strike those out. (*The correspondence was handed in*, vide *Appendix*.)

925. In paragraph 11, the Comptroller and Auditor General states that he concurs "in the opinion expressed in the Second Report, dated 24th November 1869, of the Committee appointed by the Secretaries of State for War and for India to make arrangements for adjusting the home charges for effective services of Her Majesty's regiments on the East Indian establishment on the principle of actual charges, that the final adjustment of each year's accounts would be materially facilitated by the establishment of a system of concurrent audit on behalf of India, of the direct charges as recorded in the books of the War Office;" would such a system, in your opinion, be feasible and advantageous?—I do not think that it is quite clear what is meant by this, and adjustment on the principle of actual charges is a thing which it would be impossible to carry out.

926. I wished rather to direct your attention to the latter part of the paragraph?—With regard to the concluding sentences, I think, possibly, advantage might result from a system of concurrent audit, on behalf of India, of the direct charges as recorded in the books of the War Office as a daily account, but we are badly off for accommodation.

927. Putting aside the question of accommodation, you think that an arrangement of that kind would be feasible?—I do, and it would render the settlement of a large portion of the Account much more rapid.

928. (To Mr. *Cocks*.) Can you give any opinion upon that subject?—Perhaps I may be allowed, in answering that question, to refer also to paragraph No. 12, which deals with the question of advances, as otherwise the Committee would perhaps not quite understand the nature of the objections which I think might arise with respect to that proposed concurrent audit. The India Office, contrary to the practice of all other offices, makes payments by advances, such advances being charged each year as final payments in their Accounts, but the actual adjustment of those charges may stand over for years, as it has done in the instances before us. Whether the proposed concurrent audit as between the India Office and the War Office would much facilitate the settlement of accounts, seems to me to depend entirely upon circumstances. For instance, if, after those offices had completed their concurrent audit, and had agreed upon all points, the Audit Office should be behind our back, as it were, and rip up questions upon which an agreement had been come to, then I think that, so far from expediting business, a directly contrary effect would be produced. But if Sir William Dunbar would agree to one final concurrent audit as between the India Office, War Office, and Audit Office, such a system would, in my opinion, result in a saving of expense to the public, and would greatly facilitate the conduct of public business generally.

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued.*

Chairman—continued.

929. (To Mr. *Ryan*.) Do you think that any arrangement could be made for facilitating a concurrent audit?—It is hardly for the Audit Office, I think, to express an opinion as to how the India Office and the War Office could best make an arrangement for a concurrent audit for their own purposes. The Audit Office would certainly not wish, if such an arrangement was made, that they should again undertake any portion of such work, and in their detailed test they would keep clear of any part of that work which had already been done, as they have already proposed with reference to some other charges, and they would also be careful to avoid raising any questions connected with it which they could help. (Mr. *Minifie*.) There is one difficulty about a concurrent audit, and that is, that no agreement is at present arrived at as to what the charges should be.

930. (To Mr. *Milton*.) You might agree as to facts?—We must first have a basis, and then it might all be arranged to-morrow.

Mr. *Seely*.

931. (To Mr. *Ryan*.) What is to be understood by "actual charges" here?—The term "actual charges" is used in the sense of sums actually expended, and not paid on account. The distinction drawn here is between the commuted payments of 10 *l.* per man and the expenses actually incurred to be paid and settled for. The one is a commuted allowance, and the other the repayment of the expenditure actually incurred.

932. (To Mr. *Milton*.) You have heard what Mr. Ryan has said; do you think it feasible that an arrangement, on the principle of paying actual charges, could be made?—It is utterly impossible. We no more ear-mark our soldiers than we do our sovereigns, and it would be utterly impossible, when a man was serving in this country, to say whether he was serving on Indian duty or on British duty; a part of the time he might be on the one, and another part on the other; we could not follow him up, and come at the actual charges. What was meant by the proposal for paying actual charges was that we should ascertain what was the expenditure for an efficient soldier, and so we did; that was to be taken in lieu of the former capitation rate. The capitation rate was decided upon the number of men in India, and this was fixed upon the number of men who walked across the plank to embark for India.

Chairman.

933. (To Mr. *Ryan*.) Have you any further information to give to the Committee?—Yes; since this Report was drawn up we have received further information with reference to the claims made by the War Office against the India Office, bringing

Mr. *Welby*, C.B.,
Mr. *Ryan*,
Mr. *Milton*, C.B.,
Mr. *Minifie*, and
Mr. *Cocks*.

2 May 1877.

WAR OFFICE (Charges defrayed on Account of India) Appropriation Account—*continued*.

Chairman—continued.

bringing them down to the date of 31st March 1876, the period of this Account. The result is, that the total charge for effective services is 2,535,159*l.* 13*s.* 11*d.* The total amount advanced by India in respect of Effective Services is 2,490,000*l.*, leaving a balance claimed by the War Office in excess of the sum advanced by India of 45,159*l.* 13*s.* 11*d.*

934. Does that include the small discrepancy to which attention in called by the Comptroller and Auditor General at the end of paragraph 12, amounting to 399*l.* 4*s.* 8*d.*?—This later Account merely brings in also the claims for the last two years, which were not given previously; they alter the balance, as stated in the Report; I will hand in this Account. (*The same was handed in.*)

935. (To Mr. *Milton*.) Can you state what was the cause of this difference of 399*l.* 4*s.* 8*d.* between the amount claimed from India and the sum charged in the Appropriation Account?—If I mistake not, it arises from the addition of certain sums which it was found on further investigation had to be charged against that Account. After rendering the first statement to the Treasury, we found that there were further sums, which we got certified by the Audit Office, and altered the Account to that extent.

936. Then it was owing to the two Accounts being of different dates?—Yes.

937. (To Mr. *Welby*.) Do you think that a system of current audit on behalf of India would be advantageous with regard to the War Office charges?—Without more knowledge of the War Office Accounts than I possess, I am not in a position to state whether or not a concurrent audit could be carried out, but, if possible, I should be in favour of it.

APPENDIX.

LIST OF APPENDIX.

Appendix, No. 1.

Papers handed in by Mr. Welby, 7 March 1877: PAGE.

Extract from Treasury Minute, dated 15th September 1876 - - - - - - 83

Letter from Mr. J. Winter Jones to the Lords Commissioners of the Treasury, dated 26th February 1877 - - - - - - - - - - - - - - 83

Letter from Mr. W. Law to the Comptroller and Auditor General, dated 2nd March 1877 - - - - - - - - - - - - - - - - 84

Letter from the Comptroller and Auditor General to the Treasury - - - - 84

Appendix, No. 2.

Papers handed in by Mr. Ryan, 7 March 1877:

Letter from the Commissioner of Police, Dublin, to the Chief Clerk, Exchequer and Audit Department, dated 23rd February 1877 - - - - - - - - - 85

Letter from the Inspector General of the Royal Irish Constabulary to the Secretary, Exchequer and Audit Department, dated 2nd February 1877 - - - - - 85

Appendix, No. 3.

Papers handed in by Mr. Walker, 7 March 1877:

Navy Appropriation Account, 1875–76 - - - - - - - - - - - - 85

Letter from Mr. C. W. Stronge to the Secretary to the Admiralty, dated 16th August 1876 - - - - - - - - - - - - - - - - - 87

Letter from the Secretary to the Admiralty to the Secretary to the Treasury, dated 11th September 1876 - - - - - - - - - - - - - - 87

Letter from the Secretary to the Treasury to the Secretary to the Admiralty, dated 21st September 1876 - - - - - - - - - - - - - - 87

Letter from the Secretary to the Admiralty to the Secretary to the Treasury, dated 16th October 1876 - - - - - - - - - - - - - - 88

Cap. LXXIX.—Act to provide for the better Government of Greenwich Hospital, and the more beneficial Application of the Revenues thereof, 5th July 1865 - - - 88

Appendix, No. 4.

Papers handed in by Mr. Welby, 14 March 1877:

No. 1.—Treasury Minute, dated 15th September 1876 - - - - - - - 88

I.—Appropriation Accounts for Civil Services - - - - - - - 89

II.—Extra Remuneration of Public Officers - - - - - - - - 91

III.—Payments to the Law Agent in Scotland - - - - - - - - 92

IV.—Navy Appropriation Account for 1874–75 - - - - - - - 92

V.—Revenue Departments Appropriation Accounts and Telegraph Capital Account, 1874–75 - - - - - - - - - - - - - 93

VI.—Army Appropriation Account, 1874–75 - - - - - - - 94

VII.—To the Comptroller and Auditor General - - - - - - - 94

No. 2.—Maps for Landed Estates Court - - - - - - - - - 94

Appendix, No. 5.

Paper handed in by Mr. Hamilton:

Scale of Fees by which the Work done by Clerk at the Greenwich Police Court has been regulated - - - - - - - - - - - - - - - 95

Appendix, No. 6.

Paper handed in by Sir F. Sandford: PAGE.

Letter from Sir F. Sandford to the Secretary of the Treasury, dated 17th March 1876 95

Appendix, No. 7.

Papers handed in by Mr. Welby:

Letter from the Postmaster General to the Lords Commissioners of the Treasury, dated 9th March 1876 - - - - - - - - - - - - - - 97
Letter from Mr. W. Law to the Postmaster General, dated 1st April 1876 - - 97
Letter from the First Commissioner of Works to the Lords Commissioners of the Treasury, dated 23rd December 1876 - - - - - - - - - - - 98
Letter from Mr. W. Law to the First Commissioner of Works, dated 13th March 1877 98

Appendix, No. 8.

Papers handed in by Mr. Welby, 14 March 1877:

Extract from Letter from Mr. W. Law to the Postmaster General, dated 22nd September 1876 - - - - - - - - - - - - - - 99
Letter from the Postmaster General to the Lords Commissioners of the Treasury, dated 13th November 1876 - - - - - - - - - - - - - 99
Letter from Mr. R. R. W. Lingen to the Postmaster General, dated 7th December 1876 99
Letter from the Postmaster General to the Lords Commissioners of the Treasury, dated 18th January 1877 - - - - - - - - - - - - - 100
Letter from the Secretary to the Treasury to the Postmaster General, dated 26th January 1877 - - - - - - - - - - - - - - 100
Letter from the Postmaster General to the Lords Commissioners of the Treasury, dated 31st January 1877 - - - - - - - - - - - - - 101
Letter from the Secretary to the Treasury to the Postmaster General, dated 13th March 1877 - - - - - - - - - - - - - - - - 101
Letter from the Comptroller and Auditor General to the Secretary to the Treasury, dated 24th March 1877 - - - - - - - - - - - - - 103
Letter from the Secretary to the Treasury to the Comptroller and Auditor General - 103

Appendix, No. 9.

Paper handed in by Mr. Welby:

Letter from Mr. R. R. W. Lingen to the Postmaster General, dated 23rd March 1877 104

Appendix, No. 10.

Paper put in by Mr. Welby, and referred to in his Evidence, Q. 519:

Letter from Mr. R. R. W. Lingen to the Postmaster General, dated 26th March 1877 105

Appendix, No. 11.

Paper handed in by Mr. Milton, 2 May 1877:

Letter from the Under Secretary of State, War Office, to the Secretary to the Treasury, dated 30th March 1869 - - - - - - - - - - - - - 106
Letter from Mr. W. Law to the Under Secretary of State, War Office, dated 4th May 1869 - - - - - - - - - - - - - - - - 106
Extract from War Office Letter, dated 20th February 1869, to Secretary to the Treasury 107
Letter to the Secretary to the Treasury, dated War Office, 25th April 1872 - - 107
Letter from Mr. W. Law to Mr. H. C. Bannerman, M.P., dated 20th June 1873 - 107
Letter from the Financial Secretary, War Office, to the Secretary to the Treasury, dated 24th November 1875 - - - - - - - - - - - - - 108
Letter from Mr. W. Law to the Financial Secretary, War Office, dated 7th March 1876 108
Letter from the Financial Secretary, War Office, to the Secretary to the Treasury, dated 29th March 1876 - - - - - - - - - - - - - 109
Letter from the Secretary to the Treasury to the Financial Secretary, War Office, dated 30th March 1876 - - - - - - - - - - - - - - 110
Letter from the Financial Secretary, War Office, to the Under Secretary of State for India, dated 31st March 1876 - - - - - - - - - - - - 110

Appendix, No. 11—*continued.*

PAGE.

Letter from the Under Secretary of State, War Office, to the Under Secretary of State for India, dated 26th April 1876 - - - - - - - - - - - - 110

Letter from the Under Secretary of State for India to the Under Secretary of State for War, dated 25th April 1876 - - - - - - - - - - - - - 110

Letter from the Financial Secretary, War Office, to the Secretary to the Treasury, dated 16th May 1876 - - - - - - - - - - - - - - 111

Letter from the Financial Secretary, War Office, to the Secretary to the Treasury, dated 19th June 1876 - - - - - - - - - - - - - - 111

Letter from the Financial Secretary, War Office, to the Secretary to the Treasury, dated 17th November 1876 - - - - - - - - - - - - - 111

Letter from Lord Eustace Cecil to the Under Secretary of State for India, dated 16th November 1876 - - - - - - - - - - - - - - 111

Letter from the Under Secretary of State for India to the Under Secretary of State for War, dated 12th December 1876 - - - - - - - - - - - 112

Letter from the Financial Secretary, War Office, to the Secretary to the Treasury, dated 16th January 1877 - - - - - - - - - - - - - 112

Letter from Mr. Law to the Financial Secretary, War Office, dated 12th December 1876 112

Letter from the Financial Secretary, War Office, to the Secretary to the Treasury, dated 23rd December 1876 - - - - - - - - - - - - - 113

Letter from the Financial Secretary, War Office, to the Secretary to the Treasury, dated 6th April 1877 - - - - - - - - - - - - - - 113

Appendix, No. 12.

Paper handed in by Mr. Ryan, 2 May 1877:

Statement showing Home Charges of Her Majesty's Troops serving in India on account of Effective and Non-Effective Services for the Years 1870-71 to 1873-74, also the Amount advanced by India to meet the same - - - - - - - - 114

APPENDIX.

Appendix, No. 1.

PAPERS handed in by Mr. *Welby*, 7 March 1877.

EXTRACT from TREASURY MINUTE, dated 15th September 1876. Appendix, No. 1.

Paragraphs 22 and 23 of First Report of Committee of Public Accounts, 1876:—

IN connection with the Appropriation Account of the Vote for Registrars of Friendly Societies, the Committee point out the absence of any note of the fact that the Registrar received annual pay from the National Debt Office Vote as Barrister for the Revision of Savings Banks Rules, and they observe that "the omission of such a note occurs in analogous cases under other Votes."

With a view to obviating these omissions in future, they recommend that a circular calling attention to them should be addressed to the different Departments.

In the Estimate Circular of 24th September 1875, new instructions, in addition to those contained in previous Circulars, were given to all Public Departments, and their attention was specially drawn to them. The following are the instructions in question:—

"Special attention should be paid to No. 8, to which an important addition has been made this year.

"8. In cases where remuneration is received by any officer from public funds in addition to the fixed salary of his office, as provided in the Estimate, a note should be appended stating the amount of such remuneration, the service for which it is received, and the source from which it is provided.

"This rule is intended to apply to all extra remuneration, however casual or variable, and to any pension or compensation allowance, that an officer may receive; its object being to bring into one view the whole of his official emoluments, from whatever source.

"Where an officer receives fees or other casual emoluments, the amount of which cannot be estimated with any certainty, the actual amount received by him in the year to 30th September 1875, as well as the nature of the service in respect of which it was received, should be stated in a foot-note.

"Even fees from other than public sources (*e. g.*, fees from private pupils), if received *ex officio*, or with express permission of the head of the Department, should be noted."

My Lords do not think that the terms of these instructions can be made more explicit; nevertheless the information given is frequently found to have been incomplete, and my Lords must again call the attention of the Public Departments to the necessity of greater care in this respect, when preparing the Estimates for 1877–78.

Mr. *J. Winter Jones* to the Lords Commissioners of the Treasury.

My Lords, British Museum, 26 February 1877.

THE Trustees of the British Museum have directed me to acquaint your Lordships that they have noticed in the Reports recently made to the House of Commons by the Comptroller and Auditor General on the Appropriation Accounts of the Supply Grants included in the Civil Service and Revenue Departments Estimates for the year ending 31st March 1876, the following paragraph, viz.:—

"Sub-head II.—Under this Sub-head a sum of 1,705*l.* is included in the amount of a Supplementary Estimate presented to Parliament on the 13th July, for the purpose of making purchases of prints and drawings at the Galichon sale. Of this grant a total of 1,581*l.* 18*s.* 2*d.* was so expended, and the balance has been applied to the general purposes of this Sub-head." Class IV., Vote 3, British Museum. (No. 12 of the present Session, p. 225.)

I am to point out to your Lordships that the Comptroller and Auditor General has fallen into an error in this statement. The amount, 1,581*l.* 18*s.* 2*d.*, is correct as regards the expenditure at the Galichon sale through the agency of Messrs. P. & D. Colnaghi & Co., but it does not include an expenditure, at the same sale, through the agency of Mr. A. W. Thibandeau, of 122*l.* 7*s.* The total amount expended at the sale was 1,704*l.* 5*s.* 2*d.*

Appendix, No. 1.

T. L. 7039—75.

Audit Office, No. 860—75.

No. 334, Session 1875, p. 7.

By Mr. Law's letter of the 3rd of May 1875, your Lordships authorised the expenditure by the Trustees of a sum of 2,000*l.* at the Galichon sale, and that letter was in due course forwarded to the Comptroller and Auditor General for his information. The trustees directed me after the sale to communicate the actual expenditure to your Lordships, which I did on the 14th June 1875, with a view to a grant by Parliament in a Supplementary Vote of only the sum *actually* expended by the Trustees at the sale.

The accounts were paid on the 18th of June 1875 from moneys advanced by your Lordships from Civil Contingencies, and the Estimate was laid before Parliament on the 13th of July 1875, for purchases at the sale of the Galichon prints and drawings, and not, as stated by the Comptroller and Auditor General, "for the purpose of making purchases," the purchases having been already made.

The Trustees desire me to make this explanation with a view to its being communicated without delay to the Select Committee of the House of Commons on Public Accounts, so that it may be before them when they consider the Report of the Comptroller and Auditor General on the British Museum Votes for the year 1875-76. The Trustees also desire me to submit to your Lordships that it would appear desirable that before an imputation of this kind is made upon them, viz., that they have applied to one purpose public moneys specially granted by Parliament for another, an announcement of such intention should be communicated to them before it be printed as a Parliamentary Paper, and, therefore, as a permanent public document.

I have, &c.
(signed) *J. Winter Jones.*

The Right Hon. the
Lords Commissioners of Her Majesty's Treasury.

Mr. *W. Law* to the Comptroller and Auditor General.

Sir, Treasury Chambers, 2 March 1877.

I AM directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you herewith, for your information, a copy of a letter, dated the 26th ultimo, from the Trustees of the British Museum, relative to your remarks on the Appropriation Accounts of that institution, and I am to say that my Lords propose to lay this letter before the Public Accounts Committee in accordance with the request of the Trustees, but that they would be glad to lay before the Committee, at the same time, any observations which you may wish to offer in reply.

I am, &c.
(signed) *William Law.*

The Comptroller and Auditor General.

The Comptroller and Auditor General to the Treasury.

Exchequer and Audit Department,
Somerset House, W.C.

Sir,

I AM directed by the Comptroller and Auditor General to acknowledge the receipt of Mr. Law's letter of the 2nd instant, enclosing copy of a letter from the Trustees of the British Museum, relative to a paragraph in his Report on the Appropriation Account of the Vote for the British Museum.

In reply I am to state that the facts, as explained in Mr. Winter Jones's letter, are correct. There has been an oversight in this department in this matter, which the Comptroller and Auditor General greatly regrets, and which arose from the employment of two separate agents at the Galichon sale to make purchases for the British Museum. No further payment beyond the 1,581*l.* 18*s.* 2*d.* having been made to Messrs. Colnaghi, who it was presumed were alone acting for the Trustees, the amount of their account was assumed to represent the whole amount expended at this sale.

I am to add, that no imputation of a misapplication of public money is intended in the paragraph of the Comptroller and Auditor General's Report. The remark was intended to show, that although the Supplementary Grant had not been applied in its entirety to purchases made at the Galichon sale, yet it had been devoted to purposes within the scope of the Sub-head, the Trustees having adopted the ordinary plan of showing in one sum, in their account, the amount of the Ordinary and Supplementary Grants for each Sub-head of Service.

I have, &c.
(signed) *H. Treherne.*

Appendix, No. 2.

PAPERS handed in by Mr. *Ryan*, 7 March 1877. Appendix, No. 2.

The Commissioner of Police, *Dublin*, to the Chief Clerk, Exchequer and Audit Department.

Metropolitan Police Office, Dublin Castle,
23 February 1877.

Sir,

I HAVE to acknowledge the receipt of your letter of 14th December last, "requesting "to be furnished with any explanation in regard to the excess of extra receipts realised, "amounting to 7,904 *l.* 12 *s.* 10 *d.* beyond the amount estimated for the year 1875-6 in "respect of the Dublin Metropolitan Police." (No. 1447.)

I have to state that, in the preparation of the estimate in question careful regard was had to the several sources whence the local income of this department is recruited.

The excess of the amount realised beyond that estimated may be attributed, principally, to two items, namely, 1st, to police tax, which, as collected with other imposts by the collector general of rates, was more productive than in former years, and for 1875-6 included a considerable sum as the proportion of the amount paid by Government in lieu of local city taxes on Government buildings; and 2ndly, to a large increase under the head of "Incidental Income," produced by the wages of a number of policemen employed in cattle plague duty being, on the application of this department, recouped by Government. There was also an increase under the head of "Fines and Penalties."

It is to be borne in mind that the estimate has to be prepared *several months before* the commencement of the financial year, and that from this cause, and as must be obvious, the fluctuating character of the local income, and that sources of revenue not possible to be foreseen when the estimate is being made out, may arise, it is often impossible to determine beforehand, as for the year in question, what the total yield will be.

Apologising for the delay of this reply, owing to the pressure of business,

I am, &c.
(signed) *H. Atwell Lake*, Colonel,
the Commissioner of Police.

Henry Treherne, Esq.,
Chief Clerk, Exchequer and Audit Department,
Somerset House, London, W.C.

The Inspector General of the Royal Irish Constabulary to the Secretary, Exchequer aud Audit Department.

Royal Irish Constabulary Office, Dublin Castle,
2 February 1877.

Sir,

WITH reference to your letter, No. 1659, requesting that the Comptroller and Auditor General might be furnished with an explanation of the difference between the estimated amount of Extra Receipts for the year 1875-76, and the sum actually realised in that year, I beg to state, in reply, that the amount set down in the Estimate was the sum which it was expected would have arisen under legislation, then proposed, but these expectations were not realised, inasmuch as the proposals referred to were not enacted. Furthermore, the increased receipts arising from the higher charge per man authorised by the Act of 1875 (37 & 38 Vict. c. 80), were counterbalanced by the allowances made, under same Act, to counties for men sent to preserve the peace in other counties, and also by a decrease in the numbers of the extra force.

I am, &c.
(signed) *G. C. Hillier*,
Inspector General.

The Secretary,
Exchequer and Audit Department,
Somerset House, London.

Appendix, No. 3.

PAPERS handed in by Mr. *Walker*, 7 March 1877. Appendix, No. 3.

NAVY APPROPRIATION ACCOUNT, 1875-76.

29 December 1876.

1. IN forwarding the Navy Appropriation Account for the year 1875-76 for their Lordships' approval, together with the accompanying letter, requesting the approval of the Lords of the Treasury to the same previous to its transmission to the Exchequer and Audit Department on or before the 31st instant, I beg to report as follows:—

2. On the 10th March last, I submitted to their Lordships a Provisional Account in which

Appendix, No. 3.

which the final result of the Navy Receipt and Expenditure for the year 1875-76 was expected to be a net deficit of 41,300 *l.* At that date, however, the expenditure remaining to be defrayed by bill before the 31st of that month could not definitively be stated.

3. On the 30th of the same month I submitted a further statement of the expected results under Votes 2, 10, sect. 1, 10, sect. 2, and 11, the Votes principally affected by bill payments, in consequence of having then been able to ascertain with tolerable exactitude the amount of such payments expected to be made by the close of the following day, the last of the financial year 1875-76. The results then expected had the effect of converting the expected deficit of 41,300 *l.* into a probable surplus of 21,400 *l.* The only action leading to expenditure taken thereon by their Lordships was to direct that the postponement (previously ordered) of certain payments for iron properly chargeable to the year 1875-76 to the extent of 12,000 *l.*, was countermanded as unnecessary under the circumstances. I would here observe that the Sub-head B. of Vote 10, sect. 1, to which this amount was chargeable, has not been exceeded thereby, but, on the contrary, a considerable surplus appears thereon in the Appropriation Account.

4. On the 4th April 1876, I reported that the result of the bill expenditure completed for the year in the month of March previous, taken in connection with the actual and estimated expenditure on imprest, made it appear probable that a surplus of about 5,000 *l.* on the Navy Grants would occur on closing the accounts; observing, however, that the expenditure through imprest accounts had to be largely estimated on the basis of that of the first half, or in some instances, three-quarters of the year.

5. On the 2nd May 1876, this expected result was communicated by the letter of the Financial Secretary to the Lords of the Treasury, and their sanction requested for the temporary appropriation of surpluses in aid of excesses as shown in the Provisional Account then forwarded.

6. With the object of corroborating or otherwise this expected result, a further Provisional Account was submitted to their Lordships on the 4th August 1876, prepared on the best information then obtainable, and a deficit of 93,000 *l.* then appeared probable. My report to their Lordships, explanatory of the deviation between this anticipated result and that previously expected, was, I think, so full, as to leave nothing which I can add at this date, although I would again refer to it. By their Lordships directions of 11th August last the Provisional Account, and a copy of my Report thereon, were forwarded to the Treasury in the Financial Secretary's letter of 19th August 1876.

7. The Appropriation Account having now been completed, I am enabled to report to their Lordships that the final result thereof is to exhibit a deficit of 75,511 *l.* 2 *s.* 3 *d.*, instead of 93,000 *l.* as expected on 4th August 1876.

8. With reference to this deficit, I would observe—

	£.
First.—That a sum of - - - - - - - - - - - - - - - - the expenditure caused by the payment of India Office claims for the China War was not provided for in the Navy Estimates, and that the Treasury, by letter of 8th March 1876, sanctioned the same being included in any excess Estimate for 1875-76 which might be needed.	10,969
Secondly.—That a further sum of (about) - - - - - - - - - - the amount paid for free kits for boys, was inadvertently omitted from Vote No. 2 (as stated to the House of Commons by the First Lord on bringing forward the Navy Estimates).	15,000
Thirdly.—That the sum of - - - - - - - - - - - - - - was paid by the War Department in excess of the amount voted for Naval Pensions, in consequence of more men having claimed their pensions within the year than was thought probable when the Estimate was framed, notwithstanding provision having been made for a considerably increased number.	25,350
	51,319
The remainder of the net deficit - - - - - - - - - - - - therefore, is all that is left for further consideration, and with respect to this the detailed explanations afford such information as has appeared to be requisite.	24,192
£.	75,511

9. I would further observe, however, with reference to this deficit, that no excesses appear to have been incurred under circumstances which at the time of their incurrence caused an excess over the aggregate of the Navy Votes to be probable, neither does any expenditure appear to have been actually incurred on the strength of surpluses existing, or being thought probable, on other Votes, or sub-heads of Votes.

10. Such excesses as have arisen have apparently been incurred in order to meet the absolute requirements of the service chiefly through imprest sources, which do not permit of the same being brought to the knowledge of the department, as a rule, until so late in the

the year as to render the information of but little practical value for regulating the course of expenditure, even where possible, observing that with regard to a great portion of the Naval Expenditure, and especially that in connection with the *personnel*, but little, if any, opportunity is at any time afforded for deviations from the expenditure as arranged for when the Estimates are prepared. Appendix, No. 3.

The Secretary of the Admiralty.

(12,551—76.)

Mr. *C. W. Stronge* to the Secretary to the Admiralty.

Sir, Treasury Chambers, 16 August 1876.

I AM directed by the Lords Commissioners of Her Majesty's Treasury to request you to lay before the Lords of the Admiralty the enclosed copy of a letter which they have received from the Comptroller and Auditor General on the subject of the writing off an irrecoverable loan, made out of Greenwich Hospital Funds to the Trustees of the Alston Roads.

My Lords incline to think that the loan in question, being money due to the public, should not have been written off without their assent being first obtained. It was the object of the Public Accounts Committee in 1871 to establish an uniform and intelligible rule throughout the service for dealing with such cases, and it appears to my Lords that that object will not have been attained if remissions of loans, similar to that to the Alston Road Trustees, are allowed to be exceptions to the general rule.

I am, &c.

The Secretary, Admiralty. (signed) *C. W. Stronge.*

(G. H., 6348.)

Secretary to the Admiralty to the Secretary to the Treasury

Sir, Admiralty, S.W., 11 September 1876.

I AM commanded by my Lords Commissioners of the Admiralty to acknowledge the receipt of your letter of the 16th ultimo (12,551—76), respecting the query raised by the Comptroller and Auditor General on the subject of writing off an irrecoverable loan, made out of Greenwich Hospital Funds, to the Trustees of the Alston Roads, Northumberland, and to acquaint you, for the information of the Lords Commissioners of Her Majesty's Treasury, that my Lords do not consider that the sanction of their Lordships of the Treasury was required for the write off in question, as the balance of the loan could not be considered a sum due to the public, the Greenwich Hospital Act of 1865 vesting the property of the charity in my Lords, in trust for Her Majesty, for the exclusive benefit of Greenwich Hospital.

I am, &c.

The Secretary to the Treasury. (signed) *Algernon Egerton.*

(14,951—76.)

Secretary to the Treasury to the Secretary to the Admiralty.

Sir, Treasury Chambers, 21 September 1876.

I AM directed by the Lords Commissioners of Her Majesty's Treasury to acknowledge receipt of Mr. Egerton's letter of the 11th instant, relative to the query raised by the Comptroller and Auditor General in the Greenwich Hospital Account for 1875-76, as to the writing off of a loan out of the Hospital Funds to the Trustees of the Alston Roads, and to state that my Lords have no desire to interfere with the powers vested in the Board of Admiralty in respect of the Hospital Funds by the Act 28 & 29 Vict. c. 89. My Lords would, however, request that the attention of the Board of Admiralty may be drawn to the 47th section of that Act, by which the Committee for Auditing the Public Accounts are directed "to audit the Accounts of the Receipt and Expenditure of, &c. "&c., Greenwich Hospital, as nearly as may be in like manner as they audit the "Accounts rendered by the Commissioners of Her Majesty's Woods, &c.," and my Lords would observe that the Commissioners of Woods have no power to write off any moneys due to the Land Revenues without the express authority of this Board. G. H., No. 6348.

I am, &c.

The Secretary, Admiralty. (signed) *W. H. Smith.*

Appendix, No. 3.

(G. H. 6457.)

Secretary to the Admiralty to the Secretary to the Treasury.

Sir, Admiralty, S.W., 16 October 1876.

I AM commanded by my Lords Commissioners of the Admiralty to acknowledge the receipt of Mr. Smith's letter of the 21st ultimo (14,951—76), respecting the query raised by the Comptroller and Auditor General on the subject of writing off an irrecoverable balance of a loan made out of Greenwich Hospital Funds to the Trustees of the Alston Roads, Northumberland, and to request that, with reference to the portion of the 47th section of the Greenwich Hospital Act of 1865, 28 & 29 Vict. c. 89, therein quoted, the attention of their Lordships of the Treasury may be drawn to the latter part of that section, wherein, as regards the audit of Greenwich Hospital Accounts, powers are conferred on the Board of Admiralty similar to those possessed by the Commissioners of Her Majesty's Treasury in respect of the accounts rendered by the Commissioners of Her Majesty's Woods, &c., in view whereof, I am directed to state, my Lords feel unable to depart from the opinion expressed in their letter (G. H., 6348) of the 11th ultimo.

I am, &c.

The Secretary to the Treasury. (signed) *Algernon Egerton.*

ANNO VICESIMO OCTAVO AND VICESIMO NONO VICTORIÆ REGINÆ.

CAP. LXXXIX.

AN ACT to provide for the better Government of GREENWICH HOSPITAL, and the more beneficial Application of the Revenues thereof.

[5th July 1865.

Audit of accounts of property.

ACCOUNTS, &c.

47. The Accountant General of the Navy shall annually prepare and submit to the Commissioners for Auditing the Public Accounts of the receipt and expenditure of the capital and of the income derived from the lands and property held for the benefit of Greenwich Hospital; and the Commissioners for auditing the Public Accounts shall audit the same as nearly as may be in like manner as they audit the Accounts rendered by the Commissioners of Her Majesty's Woods, Forests, and Land Revenues; and in relation to such audit, the Admiralty and the Commissioners for Auditing the Public Accounts shall respectively have the like powers, as nearly as may be, as the Commissioners of Her Majesty's Treasury and the Commissioners for Auditing the Public Accounts respectively have in relation to the audit of the Accounts rendered by the Commissioners of Her Majesty's Woods, Forests, and Land Revenues.

Appendix, No. 4.

Appendix, No. 4.

PAPERS handed in by Mr. *Welby*, 14 March 1877.

— No. 1. —

(13,334—76.)

TREASURY MINUTE, dated 15th September 1876.

MY Lords read the First, Second, and Third Reports of the Committee of Public Accounts for 1876, upon the Appropriation and other Accounts of Public Expenditure in the year 1874–5.

The several deficits on the Grants for voted services have been voted, as stated by the Committee, and the departments concerned have been so informed.

Directions for the surrender of the several Savings on such Grants, or for their payment into the Exchequer, have been given by my Lords' minutes of 23rd March and 9th August 1876.

My

Appendix, No. 4.

My Lords proceed to consider those parts of the Reports upon which special directions seem to be required :—

I.

APPROPRIATION ACCOUNTS for CIVIL SERVICES.

(Paragraphs 2 to 64 of First Report, paragraphs 4 and 5 of Third Report.)

Write to the First Commissioner of Works :—

Sir,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to transmit herewith, for your information and guidance, copies of paragraphs 2, 4, 5, 9, 10, 11, 12, and 13 of the First Report of the Public Accounts Committee of 1876, relating to the Appropriation Accounts of some of the Grants administered by your department during 1874-5.

Royal Parks.

You will observe that the Committee consider that contributions in aid of the erection of churches which may be paid from the Parks Vote, under the authority of this Board, should be charged to a distinct sub-head to be opened for the purpose; and my Lords request that this course may be taken in future.

I am to inquire whether any annual payments for religious or charitable purposes are being now paid from the Vote for Royal Parks under any continuing authority from this Board or otherwise. If so, all such payments should be brought under the notice of my Lords with the next Estimates, and such of them (if any) as are retained should be brought together under a distinct sub-head, which would also be an appropriate one, to which to charge occasional contributions towards the erection of churches.

Public buildings.

My Lords request that, as suggested by the Committee, a note respecting the repayment from the revenues of the Isle of Man of expenditure on Government buildings may be appended to future Estimates for Public Buildings.

Post Office and Inland Revenue Buildings.

With regard to the division of building charges between the Post Office and Telegraph Services, I am to state that my Lords will be glad to learn the result of your communications with the Postmaster General as soon as you are in a position to report it to them.

County Courts Buildings.

The Committee recommend that the title of Sub-head A., "New Works and Additions," in the Estimate for County Court Buildings should be extended so as to cover the purchase of sites of buildings. My Lords desire, accordingly, that this sub-head be in future entitled "New Works, Additions, and Purchases."

I am, &c.

Write to the Secretary, Board of Trade :

Sir,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you herewith, for the information and guidance of the Lords of the Committee of Privy Council for Trade, copies of paragraphs 14, 15, 20, 60, 61, and 62 of the First Report of the Public Accounts Committee of 1876, relating to the Appropriation Accounts of some of the Grants administered by your department during 1874-5.

Merchant Seam Fund pensions.

In accordance with the recommendation of the Committee, my Lords request that the opinion of the law officers of the Crown may be obtained, if not taken already, upon the question of the discretion exercised by the Board of Trade under Section 50 of the Act 14 & 15 Vict. c. 102, to allow seamen to resume their contributions to the Merchant Seamen's Fund after being in default for more than three consecutive years.

Relief of distressed British seamen abroad.

The Lords of the Committee of Privy Council will observe that, as regards the abandonment of claims against shipowners for expenditure in the relief of seamen, the Committee suggest the adoption of a rule that no claim once advanced should be abandoned without the approval of the Treasury. My Lords are of opinion that practical effect will be given to this recommendation, if the Lords of the Committee will send to this Board two schedules of claims against shipowners which it is proposed to abandon: 1, headed "*Claims as to the validity of which there is legal doubt;*" 2, headed "*Claims as to the validity of which there is no legal doubt.*"

Abandonment of claims.

In the former case, my Lords will accept the recommendation of the legal adviser of the Board of Trade, and give their covering sanction without further inquiry. In the latter, the various proposals will be considered on their merits. My Lords believe that by this means the object of the Committee will be gained without needlessly hampering the Board of Trade.

I am, &c.

Write to the Accountant Officer of the Vote for the House of Commons :

Sir,

House of Commons, over-payments to messengers.

I AM directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you herewith, for your information and guidance, a copy of paragraph 18 of the First Report of the Public Accounts Committee of 1876, respecting two overpayments to messengers which appear in the Appropriation Account of the House of Commons Vote, 1874-5.

The recovery of these amounts (11 *s.* 1 *d.* and 4 *s.* 5 *d.*) should be reported to this Board as soon as it has been effected.

I am, &c.

Appendix, No. 4.

Write to the President of the Local Government Board:

Sir,

Local Government Board, as to noting payments to officers from other Votes.

I AM directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you, for your information and guidance, a copy of paragraph 25 of the First Report of the Public Accounts Committee of 1876, relating to certain payments from the Diplomatic Vote to the assistant medical officer of your Board, made in 1874-5.

A copy is also enclosed of paragraph 17 of the First Report of the Public Accounts Committee of 1875, to which reference is made at the close of the above paragraph.

Adverting to the 8th Regulation of the Estimate Circular for 1876-7, issued by this Department on 24th September last, I am to state that my Lords do not think it necessary to record, upon the Estimate for your Department, payments made to your officers from other Votes, during the year preceding the year of estimate, when such payments are of a casual nature and confined to the amount of expenses actually incurred; and they understand this to be the opinion of the Committee.

I am, &c.

Write to the Under Secretary of State, Home Office:

Sir,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you herewith, for communication to the Secretary of State, a copy of paragraph 37 of the First Report of the Public Accounts Committee of 1876, relating to the Appropriation Account of the Vote for Prisons and Judicial Statistics (Scotland) for 1874-5, and I am to ask that it may be communicated to the accounting officer of that Vote, and that he be instructed to note the expense of the manufacturing department of the General Prison at Perth upon future accounts, as recommended by the Committee.

Perth General Prison, expense of manufacturing department to be noted.

I am, &c.

Write to the Lord Chancellor for Ireland:

My Lord,

Irish Chancery Vote.

I AM desired by the Lords Commissioners of Her Majesty's Treasury to transmit herewith, for your Lordship's information, a copy of paragraph 39 of the First Report of the Public Accounts Committee of 1876, relating to the Appropriation Account of the Vote for the Irish Court of Chancery for 1874-5.

I am, &c.

Write to the Secretary, Education Department:

Sir,

I AM desired by the Lords Commissioners of Her Majesty's Treasury to transmit herewith, for the information and guidance of the Lords of the Committee of Council on Education, copies of paragraphs 42 to 45 and 47 to 52 of the First Report of the Public Accounts Committee of 1876, relating to the Appropriation Accounts of the Votes for Public Education, England and Wales, the Science and Art Department, and Public Education, Scotland, for 1874-5.

Science and Art Department.

Payment to Mr. Moody.

With reference to the remarks made by the Committee upon the payment from the Science and Art Vote to Mr. Moody, I am to state that, in deference to the recommendation of the Committee, my Lords will no longer withhold their sanction to this payment; but I am to express my Lords' hope that measures may be taken for strictly observing the recommendation of the Committee, so decidedly expressed, that no salaried officer should in any case be engaged or employed at additional remuneration, without previous Treasury sanction.

Education Votes.

Payments to uninspected schools.

My Lords further request that, in accordance with the recommendation of the Committee, in their remarks upon the Education Votes for England and Scotland, the sanction of this Board may be obtained, if possible, before any grant is paid to an uninspected school, but otherwise as soon after, as practicable.

I am to request that you will be so good as to communicate to the Board of Education for Scotland those paragraphs which relate to the Scotch Education Vote.

I am, &c.

Write to the Trustees of the National Gallery, Ireland:

My Lords and Gentlemen,

National Gallery, Ireland, Vote.

I AM directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you herewith, a copy of paragraph 53 of the First Report, and paragraph 5 of the Third Report of the Public Accounts Committee of 1876, relative to the Appropriation Account of the Vote for the National Gallery, Ireland, for 1874-5.

My Lords have read the explanations offered by the Director, which are appended to the Third Report, and feel assured that future appropriation accounts will be prepared with greater accuracy than the account now in question.

I am, &c.

Write to the Under Secretary of State, Foreign Office:

My Lord,

Diplomatic and Consular Votes.

I AM directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you herewith, for the information of the Earl of Derby, copies of paragraphs 54 and 56 of

of the First Report of the Public Accounts Committee of 1876, relative to the Appropriation Accounts of the Votes for Diplomatic and Consular Services for 1874–5.

My Lords would be glad to know whether the proportion of the expense of the North American Boundary Commission, due from the Dominion of Canada, for the above year has yet been recovered.

I am, &c.

Write to the Paymaster General:

Sir,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you herewith, a copy of the 58th and 59th paragraphs of the First Report of the Public Accounts Committee of 1876, relative to the Appropriation Accounts of the Superannuation Vote for 1874-5.

Superannuation Vote.

In compliance with the recommendation of the Committee, my Lords desire that the following words be added at the end of the heading of the Superannuation Estimate, in future: "and compassionate or other special allowances and gratuities awarded by the "Commissioners of Her Majesty's Treasury."

Amendment of heading.

My Lords also think it unnecessary to quote all the Acts now mentioned in the heading, two of which, 50 Geo. 3, c. 117, and 3 Geo. 4, c. 113, are repealed by sect. 8 of 4 & 5 Will. 4, c. 24. They consider that, of existing Statutes, the under-mentioned only should be quoted in future, and that the heading should run, "according to the provisions "of various Statutes, of which the following are the principal, viz.:—

"4 & 5 Will. 4, c. 24.
"22 Vict. c. 26.
"29 & 30 Vict. c. 68.
"34 & 35 Vict. c. 36.
"39 & 40 Vict. c. 53, &c."

Adding by way of note, "There are many other Acts applicable to judicial officers, "and other special services, which cannot be enumerated here."

Sub-head for compassionate allowances.

Further, my Lords desire that a separate sub-head may be opened in the Estimate for 1877–78, for Compassionate Allowances, so as to show them apart from compensation allowances granted under Statute.

I am, at the same time, to inquire whether the disallowance of 106*l.* 10*s.* under Sub-head B. has yet been recovered.

I am, &c.

II.

EXTRA REMUNERATION OF PUBLIC OFFICERS.

(Paragraphs 22 and 23 of First Report.)

IN connection with the Appropriation Account of the Vote for Registrars of Friendly Societies, the Committee point out the absence of any note of the fact that the Registrar for England received annual pay, from the National Debt Office Vote, as barrister for the revision of savings bank rules, and they observe that "the omission of such a note occurs "in analogous cases under other votes." With a view to obviating these omissions in future, they recommend that a circular, calling attention to them, should be addressed to the different departments.

In the Estimate Circular of 24th September 1875, new instructions, in addition to those contained in previous circulars, were given to all public departments, and their attention was specially drawn to them. The following are the instructions in question:—

"8. In cases where remuneration is received by any officer from public funds, in addi-"tion to the fixed salary of his office, as provided in the estimate, a note should be "appended, stating the amount of such remuneration, the service for which it is received, "and the source from which it is provided.

"This rule is intended to apply to all extra remuneration, however casual or variable, "and to any pension or compensation allowance that an officer may receive; its object "being to bring into one view the whole of his official emoluments from whatever "source.

"Where an officer receives fees or other casual emoluments, the amount of which "cannot be estimated with any certainty, the actual amount received by him in the year "to 30th September, as well as the nature of the service in respect of which it was "received, should be stated in a footnote.

"Even fees from other than public sources (*e.g.*, fees from private pupils), if received "*ex officio*, or with express permission of the head of the department, should be noted."

My Lords think that the terms of these instructions can hardly be made more explicit. Nevertheless, the information given is frequently found to have been incomplete, and my Lords must again call the attention of Public Departments to the necessity of greater care, in this respect, when preparing the Estimates for 1877–8.

In compliance with the recommendation of the Committee, my Lords direct that a copy of the foregoing portion of the present minute be communicated to all departments, including the War Office and Admiralty, with the following circular:—

Appendix, No. 4.

Sir (*or as case may be*),

Extra remuneration, Circular.

I AM directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you (for the information, &c., *or as case may be*) the enclosed extract from a minute of my Lords upon the Reports of the Public Accounts Committee of 1876, relating to the insertion of notes in the Estimates and Appropriation Accounts of Public Departments in all cases in which an officer receives remuneration in addition to the fixed salary of his office.

My Lords request that the special attention of your Department may be drawn to this subject.

III.

Payments to the Law Agent in Scotland.

Paragraph 36 of the First Report, relating to the Appropriation Account of the Vote for Courts of Law and Justice, Scotland, is in the following terms:—

"36. The information asked for will be given on the Account for Woods and Forests."

The information thus referred to is the subject of the two following questions in the Minutes of Evidence taken before the Committee:—

"131. Some question was raised last year at a meeting of the Public Accounts "Committee with reference to the Law Agent in Scotland for the Woods and Forests "Department. There were certain charges in the Woods and Forests Accounts with "reference to the Law Officers in Scotland, and there was also this charge under a "separate sub-head of this Vote; was there not some understanding come to, or some "intention expressed, by the Treasury that they would endeavour to bring them all into "one account?—Perhaps you will allow me to look the case up before the next meeting "of the Committee."

"630. At the last meeting of the Committee information was asked for with reference "to the Law Agent to the Woods and Forests Departments in Scotland. What is the "position of the question with reference to that officer at present?—A Committee appointed "by the Treasury is considering the relations of the legal officers acting for the Crown in "Edinburgh, with a view to placing them on a more satisfactory basis than they are on "at the present time."

Let a copy of the foregoing part of this Minute be transmitted to the Commissioners of Woods and Forests, with the following letter:—

Gentlemen,

I am directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you the enclosed extract from a Minute of this Board upon the Reports of the Public Accounts Committee of 1876, and to call your immediate attention to the unanswered letter (7638) from this Board, dated 14th July 1876.

I am, &c.

IV.

Navy Appropriation Account for 1874-5.

(Paragraphs 65 to 81 of First Report.)

Write to the Secretary to the Admiralty:

Sir,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you herewith, for the information and guidance of the Lords Commissioners of the Admiralty, a copy of paragraphs 65 to 80 of the First Report of the Public Accounts Committee of 1876, relating to the Navy Appropriation Account for 1874-5.

Balance payments, mode of charge.

The Board of Admiralty will observe that the Committee concur in the opinion of this Department and the Audit Office, that the balance payment for a service should be charged to the same sub-head as the advance made for such service in a previous year, even though no special provision for the balance may have been made under that sub-head.

Imprest of passage moneys.

The Committee also agree with the Comptroller and Auditor General that an advance of passage moneys, made on the understanding that it is to be repaid in full, should be treated as an imprest, not as a final charge. My Lords also concur in this opinion.

Para. 71 to 80.
Para. 74 to 77.

But my Lords request you to draw the special attention of the Board to the remarks of the Committee on the frequent deficits on Navy Votes, and to their suggestion that the Treasury should be stricter, than heretofore, in exercising the discretion given them by the annual Appropriation Act, to authorise the temporary application of surpluses to meet deficiencies.

My Lords trust that the utmost care will be taken, in future, to obtain Treasury authority before the expenditure in excess is incurred, and that, as enjoined in previous communications from this Department, the earliest information may be given to them of any probability of an excess becoming necessary. I am at the same time to enclose a copy of paragraph 12 of the Third Report of the Committee, in which they express themselves in favour of applying a test audit to naval as well as military accounts.

Test audit of Naval accounts.

I am, &c.

V.

Revenue Departments Appropriation Accounts and Telegraph Capital Account, 1874–75.

(Paragraphs 1 to 18, and 24 to 46 of Second Report, and 1 of Third Report.)

Write to the Commissioners of Customs:

Gentlemen,

I am directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you, for your information, the enclosed copies of paragraphs 1 to 4 of the Second Report of the Public Accounts Committee of 1876, and of paragraph 1 of their Third Report, relating to the Appropriation Account of the Customs Vote for 1874–5.

You will receive, shortly, a circular letter on the question of the date of charge, to which reference is made in paragraph 2.

An Order in Council of the 27th June, of which a copy was enclosed in the Treasury letter of 5th July last, has disposed of the question affecting the pay and position of certain writers in your Department, mentioned in paragraph 1.

I am, &c.

Write to the Postmaster General:

My Lord,

I am directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you herewith, for your Lordship's information and guidance, copies of paragraphs 5 to 18 of the Second Report of the Public Accounts Committee of 1876, relating to the Appropriation Accounts of the Post Office and Telegraph Votes for 1874–5, and of paragraphs 24 to 46 of the same Report, relating to the Telegraph Capital Account for that year.

My Lords need not here make any observations on the irregular appointments in the Post Office and Telegraph Services, referred to in paragraphs 5, 6, 11, and 12, nor upon the test examination, as to Treasury authority, of the Accounts of London district and provincial postmasters, mentioned in paragraph 7.

With reference to paragraph 15, respecting the division of the cost of sites and buildings between the Post Office and Telegraph Services, I am to enclose a copy of paragraph 11 of the First Report of the Committee, bearing on the same subject.

In deference to the recommendation of the Committee, conveyed in paragraph 17, my Lords will no longer withhold their sanction to the payment of 84 *l.* 7 *s.* 1 *d.* from the Telegraph Vote, to Mr. Sampson, for his services as junior clerk to the superintendent of telegraphs at Bristol from 12th August 1872 to 28th March 1874.

Para. 28 to 33, 40, and 45. Telegraph Capital Account. Disallowance of certain charges.

In the case of the Telegraph Capital Account, your Lordship will observe that, in concurrence with this Board, the Committee have recommended the House of Commons to disallow certain payments to the United Telegraph Company, and in connection with the arrangement with the Electric and International Telegraph Company, amounting in all to 2,236 *l.* 10 *s.* 3 *d.*

In accordance with the recommendation in paragraph 36, my Lords were pleased, on the 26th June last, to sanction the charge upon the Telegraph Capital Account of the payment of 1,000 *l.* therein referred to, to the Shropshire Union Canal Company.

The Committee suggests in paragraphs 41–43 that it may be worth considering whether the interest on purchase money, when such is paid, should not be charged to revenue, instead of capital.

Interest on purchase money, mode of charge.

My Lords acknowledge that the effect of charging this interest to capital is to enhance the apparent cost of acquiring the telegraphs.

It is to be regretted that so much delay, no doubt in part inevitable, should have occurred before awards could be obtained, because that delay both prevents the closing of the capital account, and entails a higher charge for interest than that at which the State usually borrows.

But since the charge for interest has been incurred, my Lords would point out that it is a necessary result of the proceedings by which Parliament directed the price of undertakings to be ascertained, and that, as such, the interest payable becomes, it may be argued, part of the incidental costs of arbitration, which are defrayed out of capital. On the whole, my Lords, while admitting there is much to be said on the other side, have come to the conclusion that there is fair reason for the course adopted, and that, at all events, it is not desirable to change the mode of charge at the present time, when there are comparatively few cases outstanding, and that it will, therefore, be better to adhere to one uniform principle throughout.

My Lords, therefore, are not disposed to alter the mode of charge hitherto adopted.

I am, &c.

Appendix, No. 4.

VI.

ARMY APPROPRIATION ACCOUNT, 1874-5.

(Paragraphs 9 to 15 of Third Report.)

Write to the Financial Secretary, War Office:

Sir,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you herewith, for the information and guidance of Mr. Secretary Hardy, copies of paragraphs 9 to 15 of the Third Report of the Public Accounts Committee of 1876, relative to the Army Appropriation Account for 1874-5, in which, amongst other things, the Committee express their cordial approval of the proposed application of a test audit to the military accounts.

Test audit of Army accounts.

The special attention of the Secretary of State should be drawn to the 15th paragraph respecting the delay that has occurred in the settlement of the outstanding accounts with India. Upon this point my Lords will address a further letter to the Secretary of State.

Delay in settling accounts between War Office and India.

I am, &c.

VII.

Write to the Comptroller and Auditor General:

Sir,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you herewith, for your information, a copy of my Lords' minute, dated 15th September 1876, upon the three Reports of the Public Accounts Committee of 1876.

I am, &c.

— No. 2. —

MAPS FOR LANDED ESTATES COURT.

THE Comptroller and Auditor General having called attention in his report on the Ordnance Survey Vote, 1875-6, to the sums owing by the Landed Estates Court to the Ordnance Survey, the following explanation was by desire of the Committee obtained from the Treasury Remembrancer in Ireland:—

I find that Major Wilson, the head of the survey here, has been lately in communication with the Landed Estates Court respecting this arrear, and a sum of about 1,200 *l.*, which represented old arrears, has been lately paid up. The usual arrear is from 15,000 *l.* to 16,000 *l.* The average time which an estate takes in passing through the Court, is about 2½ years from the date of filing the petition, and as the Vote is between 6,000 *l.* and 7,000 *l.*, the arrear represents this average.

The order for survey is made immediately after the order for sale is made absolute, but the cost of the survey is not paid until the proceedings in Court are completed.

I think there is no reason for any arrear at all, and that the system should be changed.

If a solicitor makes a search in any public office, he must pay for it at the time, and in the registry of deeds, when its cost is uncertain, he has to pay a deposit. In the case of these surveys, I think that deposits might be more trouble than they would be worth, as there is the security of the land in court to fall back on.

But I would require the solicitor to pay the Survey Office the value of its work, as soon as the solicitor is informed by the Survey Office that the work is done and ready for his use; and if he does not pay up, put the court in motion, who will soon make him pay.

There is no reason why the public should be out of the money because it is convenient to the solicitors and their clients to postpone payment.

I think that the Landed Estates Court would raise no difficulty about giving directions to carry out this line, but the Treasury will have to move in the matter.

13 March 1877. *H. M.*

Appendix, No. 5.

PAPER handed in by Mr. *Hamilton.* Appendix, No. 5.

SCALE of FEES by which the WORK done by CLERK at the GREENWICH POLICE COURT has been Regulated.

	£.	s.	d.
Taking Instruction to hold Investigation - - - - -	-	3	4
Convening Justices - - - - - - - - - -	-	5	-
Summons (and duplicate) to Witness - - - - - each	-	3	-
For Officer or Person employed to serve Summons - each service	-	2	6
Taking down Examination of Witness in Writing - - per folio	-	-	8
Copy of Evidence (when required) - - - - - „	-	-	2
Drawing Report to Board of Trade - - - - - „	-	1	-
Fair Copy - - - - - - - - - - - „	-	-	4
Attending Justices for their Approval and Signature - - -	-	3	4
Letter to Board of Trade with Report - - - - - -	-	3	6

Appendix, No. 6.

PAPER handed in by Sir *F. Sandford.* Appendix, No. 6.

Sir *F. Sandford* to the Secretary of the Treasury.

Sir, Education Department, Whitehall, 17 March 1876.

I HAVE the honour to acknowledge the receipt of your letter of the 4th of March enclosing a copy of a letter, dated the 8th ultimo, from the Comptroller and Auditor General, relative to the nature of the detailed examination which he proposes to apply to the accounts of the Education Department, and asking for my observations on the proposed arrangement.

In reply, I beg to say that when Mr. Ryan called here I certainly stated that if an examination in detail of the expenditure of the department were absolutely necessary, I should deem the arrangement for a local audit preferable to the transmission from this department to the Audit Office of the portfolios and files of correspondence with the schools, aided by the department. This latter plan would simply stop the working of the office, as the daily correspondence with the schools under inspection cannot be carried on without immediate access to our papers. But I withheld any definite answer to the proposal till it had been examined and found to be necessary by the heads of the department and by the Treasury. To the former I have not yet submitted the question, and the following remarks must be taken as made merely by myself, for the consideration of the Treasury.

My interview with Mr. Ryan showed in the first place that the original proposal of the Audit Office as to the transmission of a copy of the agenda sheet would be an unnecessary and expensive formality. It would certainly have enabled the Audit Office to check the correctness of the enormous number of petty calculations which determine the grants

Appendix, No. 6.

paid to the many thousand schools now under inspection; but this is all that it would have done, and I believe that the system of preparation, examination, and check now in force in the department before the grant is paid to each school, is quite sufficient to secure the accuracy of our payments, and to enable the officers specially charged with that duty to give the certificate upon which the grants have hitherto been passed by the public auditors.

But it would appear that the Audit Office have themselves seen the insufficiency for their purpose of their first demand, and now wish to establish an audit not merely of appropriation, which so far as the grants in aid are concerned has hitherto been applied, but of authority.

On this point I would request attention to the letter from the Treasury (No. 16,611) of 9th November 1867, transmitting a copy of the report upon the accounts of this department made by Messrs. Foster and Vine (the Commissioners appointed to start the Exchequer and Audit Act). These gentlemen suggested, in their report to the Treasury, dated the 25th of October 1867, the form of voucher which has been used until now in support of payments in respect of the "Grants in aid" administered by this department. They stated that "great inconvenience would be experienced by the Committee of Council "on Education if the documents upon which the payments are founded were required to "be transmitted as vouchers to the account, inasmuch as they contain all the information "respecting the examinations of the several schools to which constant reference is made "in the office, and the orders founded upon such information only being required for the "purpose of examining the Cash Account."

It was clearly their opinion that our grants should be subject to the same examination as would be given to them if the accounts had been included in Schedule B. instead of in Schedule A. of the Exchequer and Audit Act, 1866 (*see* Section 29). But their view goes even further than this, for their opinion evidently was that the examination to be given by the auditors to the grants in aid should be restricted to the examination contemplated by the second part of Section 30 of the Act of 1866, and it was on this understanding that the then heads of the department replied to the Treasury letter (of 9th November 1867) referred to above.

If the Audit Office had at the time demurred to this, I think from the tenor of their report that Messrs. Foster and Vine would have been prepared to recommend the Treasury to put the accounts into Schedule B.

That the necessity of placing other accounts than those of the Army and Navy in Schedule B. was contemplated both by the Treasury and by the Auditors at the time of the passing of the Exchequer and Audit Act is clear from the evidence given before the Committee of Public Accounts in 1866. (*See* Questions 280 to 287.)

I think this department fulfils the conditions referred to by Mr. Macaulay in his reply to Question 280, and by Mr. Anderson, then principal Financial Clerk at the Treasury, in his reply to 282.

The grants administered by this department under the terms of the code, as interpreted by the Lord and Vice President, are subject to a searching examination by officers appointed specially for that purpose; and it seems to me that to conduct a second examination *in detail* would be a needless waste of public money, especially as the auditors must be dependent upon the department for all authorities applicable to that expenditure.

If the Comptroller and Auditor General no longer feels justified in giving his certificate to the accounts whilst they remain in Schedule A., upon the examination as at present conducted, I think that it would be best to place these accounts in Schedule B., as I gather from the latter part of Mr. Ryan's letter has been thought of by the Treasury, and I cannot subscribe to the opinion of the Comptroller and Auditor General that, if our accounts are placed in that Schedule B., "it will be for the purpose of withdrawing them "from the more extended examination which he deems it requisite to give;" because, as I have already said, the accounts would probably have been placed in that schedule years ago, if any intimation of the wish to examine the "Grants in aid" in detail had then been made.

As a matter of fact, so far as that portion of the expenditure is concerned, it has always been examined *as if it were in Schedule B.*; and if the accounts were placed in that schedule it would be merely leaving matters in *statu quo*, the audit of the "Grants in aid" up to this time having been simply an appropriation audit.

The personal payments, such as salaries, travelling expenses, &c., might be examined in detail as now, for the Treasury have power, under the 29th Section of the Exchequer and Audit Act, to direct the auditors to give an examination in detail to any portion of an account, classed under Schedule B., which they may think requires it.

I would further point out that, with our present accommodation and staff, it will, if it is possible, be very difficult to give effect to the proposal of the Audit Office.

The rooms now available are barely sufficient for the increasing work of the department, and unless the auditors were placed in the shed outside of the building (which the Office of Works wish to remove at an early date), I do not see how accommodation could be provided for them and for an increased number of officers of this department. For it is evident that the proposal, if adopted, would require a considerable addition to be made to the permanent staff of this Department, as the work done by the examiners in checking, by the light of an intricate code, the grants recommended by the inspectors, after they have been duly tabulated by the clerks would, virtually, have to be done twice over. It would be necessary to withdraw weekly from the current work of the office some 400

or

or 500 portfolios, and the same number of files of correspondence. Constant explanations would be required from the superior officers of the department by the auditors, who would have to be kept acquainted with the decisions of the Committee of Council on points of administration, for however elaborate and detailed the rules laid down in the code may be, they cannot meet all the contingencies that arise in the distribution of the Parliamentary grant; and it is found necessary to exercise no little discretion in the application of the code to the numerous cases, of every possible variety, which daily come under review. A large amount of time is therefore given by the heads of the office and the secretariat to the review of cases referred to them by the examiners; and I foresee that many difficulties would arise in carrying out the proposed arrangement from a conflict of authority, or the view taken by the auditors of questions of administration arising out of the interpretation of the code might differ widely from that adopted by the political chiefs of the department who are directly responsible for the expenditure of the Parliamentary grant. Appendix, No. 6.

For these reasons I certainly deprecate a change in the existing system of audit, especially as I am not aware that any change is called for by past lâches on the part of the officers of the department.

I have, &c.
(signed) *F. R. Sandford.*

The Secretary of the Treasury,
&c. &c. &c.

Appendix, No. 7.

PAPERS handed in by Mr. *Welby.* Appendix, No. 7.

(4,447.)

The Postmaster General to the Lords Commissioners of the Treasury.

General Post Office,
9 March 1876.

My Lords,

With reference to your letter of the 19th January last, No. 541—76, and to previous correspondence respecting the apportionment of the cost of sites and buildings between Postal and Telegraph accounts, I beg leave to state that, although unable to agree in the opinion which your Lordships express, that one-third much more nearly represents the proportion properly chargeable to Telegraphs than one-ninth, I would propose with a view to arriving at a settlement of the question, and in order to save the correspondence and discussion which must arise in dealing with each case on its merits, that the apportionment shall be fixed in proportion to the gross revenue of the respective Services, exclusive of Miscellaneous Receipts.

I am inclined to believe that this method will be the best way of meeting the case, and as it is very desirable to adopt an uniform principle, I shall be glad to learn that your Lordships approve the proposition.

If, as I hope, your Lordships will do so, steps shall be taken to adjust the apportionments which have been made provisionally, pending a decision on the question; and the proper division can in future be made when the payments take place, the apportionment of a given year being governed by the respective gross revenues of the preceding year.

I have, &c.,
(signed) *John Manners.*

The Lords Commissioners
of Her Majesty's Treasury.

(4261.)

Mr. *W. Law* to the Postmaster General.

Treasury Chambers,
1 April 1876.

My Lord,

The Lords Commissioners of Her Majesty's Treasury have had before them your Lordship's letter of the 9th ultimo, proposing that the apportionment of the charge for sites and buildings between Postal and Telegraph Accounts should be fixed in proportion to the gross revenue of the respective Services, exclusive of Miscellaneous Receipts.

My Lords observe that this proposal is not confined to Estimates but is intended to govern ultimate charges, yet they are not sure whether it applies to the cost of buildings erected by the Office of Works, as well as to the cost of buying buildings and sites. If

Appendix, No. 7.

it does not, my Lords consider that a difference of practice as regards these two classes of expenditure would lead to indefensible anomalies. The new Post or Telegraph Offices at Glasgow and Oldham, may serve as examples. Supposing the cost of the sites to be divided in proportion to the gross revenues of the two services in 1874-5, less Miscellaneous Receipts, 27·46 per cent. of the total would be charged to Telegraph Account; but on turning to the estimate of cost of building the new offices, prepared by the Office of Works (p. 27-8 of Civil Service Estimates, 1876-7), it will be seen that, in the case of Glasgow one-half of the vote for the year is allotted to Telegraphs, and in the case of Oldham the apportionment is as 2,000 *l.* to 2,594 *l.* These proportions will, of course, be altered when the ultimate charge is determined; but they probably afford a general indication of what the division will be.

On the other hand, if your Lordship's proposal applies to the cost of erection as well as of purchase, my Lords would like to be more certain than at present that the relation of revenue to building accommodation is the same in both services, an assumption on which the justice of your proposal absolutely depends.

My Lords would have supposed that the operations of the Telegraph Service, not only require more space, per 1,000 *l.* of annual revenue than those of the Post Office, but are far more likely to entail the necessity of new buildings and alterations of private premises.

If exact apportionment is to be given up, the compromise adopted should have simplicity and uniformity; but that recommended by your Lordship does not seem to possess either advantage in any marked degree, because the actual apportionment will, under it, be still one that cannot be precisely calculated in the annual Estimates, will be represented by a complex fraction, and will vary from year to year.

An uniform apportionment of one-third, or one-fourth would appear preferable, and if experience warrants it, the latter proportion might be adopted for Estimates.

But my Lords remain of opinion that the determination of the ultimate charge should be left in the hands of the skilled officers of the Board of Works, and be based on the ratio of the cubical contents of the respective portions of a building occupied by the two services. The apportionment thus arrived at should govern the ultimate charge for purchase of land and buildings as well as of erection.

I am, &c.,

The Postmaster General. (signed) *William Law.*

(B. 8266.)

The First Commissioner of Works to the Lords Commissioners of the Treasury.

Her Majesty's Office of Works,
23rd December 1876.

My Lords,

With reference to that portion of Mr. Law's letter of the 22nd of September last (13,334), which relates to the division of building charges between the Post Office and Telegraph services; I beg leave to inform your Lordships that the matter has, for some time, been very carefully considered by this Department in conference with the Post Office authorities.

After much deliberation, it does not appear to me feasible to lay down any general rule as to the division of the expenditure which will accurately show the amount chargeable to either service, and I am of opinion that it would be better to leave each individual case to be dealt with on its own merits as the question may arise, in the manner at present adopted by the Department, viz., to charge the proportion of the expenditure upon the building or furniture, according to the occupation by each branch of the service.

This, although not by any means a satisfactory solution of the question, is probably less misleading than any other plan which could be devised.

I am, &c.

The Right Hon. the Lords Commissioners of Her Majesty's Treasury. (signed) *Gerard Noel.*

(20,671–76.)

Mr. *W. Law* to the First Commissioner of Works.

Sir,

Treasury Chambers, 13 March 1877.

Adverting to your letter of the 23rd December last, respecting the apportionment of building charges between the Post Office and Telegraph Service, I am directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you herewith, for your information and guidance, copies of a letter from the Postmaster General upon the subject, dated 9th March 1876, and of the reply of this Board, dated 1st April 1876, from which you will observe that the practical conclusion at which you have arrived coincides with the view taken by my Lords.

2.

I am, &c.

The First Commissioner of Works. (signed) *William Law.*

Appendix, No. 8.

PAPERS handed in by Mr. *Welby*, 14 March 1877. **Appendix, No. 8.**

(13,334–76.)

Mr. *W. Law* to the Postmaster General.

My Lord, Treasury Chambers, 22 September 1876.

I AM directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you herewith, for your Lordship's information and guidance, copies * * * * paragraphs 24 to 46 of the Second Report, of the Public Accounts Committee of 1876, relating to the Telegraph Capital Account for that year.

Copy, Pars. 5 to 18, 2nd Report.
Copy, Pars. 24 to 46, 2nd Report.
Copy, Par. 11, 1st Report.

* * * * * *

In the case of the Telegraph Capital Account (paragraphs 28 to 33, 40 and 45), your Lordship will observe that, in concurrence with this Board, the Committee have recommended the House of Commons to disallow certain payments to the United Telegraph Company, and in connection with the arrangement with the Electric and International Telegraph Company, amounting in all to 2,236 *l.* 10 *s.* 3 *d.*

* * * * * *

I am, &c.

The Postmaster General. (signed) *William Law.*

The Postmaster General to the Lords Commissioners of the Treasury.

My Lords, General Post Office, 13 November 1876.

I HAVE the honour to acknowledge the receipt of your Lordships' letter of the 22nd September last, transmitting copies of paragraphs 5 to 18 of the Second Report of the Public Accounts Committee of 1876, relating to the Appropriation Accounts of the Post Office and Telegraph Votes for 1874–75, and of paragraphs 24 to 46 of the same Report, relating to the Telegraph Capital Account for that year.

I observe, as pointed out by your Lordships in paragraph 5, that the Committee on Public Accounts "have recommended the House of Commons to disallow certain payments to the United Kingdom Telegraph Company, and in connection with the arrangement with the Electric and International Telegraph Company, amounting in all to 2,236 *l.* 10 *s.* 3 *d.*"

I beg leave to request your Lordships' instructions with regard to the source from which this expenditure is to be defrayed.

Pending the receipt of such instructions, I have directed that the charges shall be withdrawn from the Telegraph Capital Account, and carried to a "Suspense Account."

I have, &c.

The Lords Commissioners of the Treasury. (signed) *John Manners.*

Mr. *R. R. W. Lingen* to the Postmaster General.

(17,953.)

My Lord, Treasury Chambers, 7 December 1876.

I AM directed by the Lords Commissioners of Her Majesty's Treasury to inform you, in reply to your letter of the 13th ult., that this Board has refused its sanction to certain sums expended in connection with the Telegraph service of the Department of the Post Office, that the Comptroller and Auditor General has in consequence been unable to pass them, and has reported them to Parliament; that the Committee of the House of Commons to which the House entrusts the examination of the Reports laid before it under certain Acts of Parliament, has confirmed the judgment of the Treasury, and reported that the expenditure in question ought not to be allowed. Under these circumstances the sums disallowed are personally charged against the officer who was at the time responsible for the expenditure of the Department, and steps should be taken at once to enforce that responsibility unless your Lordship wishes to show cause for arresting proceedings.

The amount disallowed should in the meantime be excluded from the capital account, but should be explained in the statement of the balance of that account.

I am. &c.

The Postmaster General. (signed) *R. R. W. Lingen.*

Appendix, No. 8.

The Postmaster General to the Lords Commissioners of the Treasury.

My Lords, General Post Office, 18 January 1877.

I HAVE the honour to acknowledge the receipt of your letter of the 7th ultimo, in which you state that the sums expended by the Post Office in connection with the Telegraph Services which have been disallowed by the Committee of Public Accounts in their Second Report of last Session, stand charged against the officer who was at the time responsible for the expenditure of the Department, and that steps should be taken at once to enforce that responsibility unless I wish to show cause for arresting proceedings.

It is impossible to dissent from the position which your Lordships take that the responsibility of officers charged with the duty of accounting for Parliamentary grants should be enforced with all practicable strictness; but I venture, at the same time, to submit whether it is desirable that in cases where over-payments, or payments upon insufficient authority, have taken place in consequence of an error of judgment, and in which it is not contended that any *mala fides* existed, the same severe measures should be adopted as in cases of actual malversation of public funds.

Your Lordships are, I believe, not disposed to regard the payment now under notice, otherwise than as coming under the former category, and I cannot but hope that if you concur with me in thinking that a distinctive method of treatment should be observed, it may be found possible to satisfy the requirements of the case without taking action in the direction indicated in your Lordships' letter.

Should you, however, be of opinion that no other course is open, it will be necessary that I should take your Lordships' directions with regard to the particular officers against whom the pecuniary responsibility should be enforced, and I accordingly beg leave to furnish you with the following information relating to the payments in question.

The payment of 14 *l.* 14 *s.* to the Electric and International Telegraph Company was approved on the 3rd May 1872, and the warrant was issued on the 8th.

The payments of 1,500 *l.* to the United Kingdom Telegraph Company, and 576 *l.* 10 *s.* for extra pay to officers of that company, were approved on the 20th June 1872, and the warrants were issued on the 27th.

These three items were incurred when the Postmaster General himself was, under your Lordships' directions, the Accounting Officer for the expenditure of the Post Office, and when Mr. Monsell, now Lord Emly, held the office.

The remaining payment of 145 *l.* 6 *s.* 3 *d.* for interest on the sum of 1,500 *l.* paid to the United Kingdom Telegraph Company was approved on the 28th June 1872, but the warrant was not issued until the 31st December 1873.

In this case, approval was given during the term of office of Mr. Monsell, while the actual payment occurred during that of Mr. Lyon Playfair.

I must explain, however, that on the 31st December 1873, your Lordships' letter was written, appointing the Receiver and Accountant General as the "Accounting Officer" for the Post Office, and a doubt arises as to the responsibility of the Postmaster General for a payment made on the 31st of that month.

On the other hand, as the Receiver and Accountant General was not made acquainted with his appointment until after the 31st December, he could scarcely be charged with a responsibility of which he was acting in entire ignorance.

I should also point out that the payments in question did not come under the personal cognizance of the Postmaster General.

Awaiting a reply from your Lordships upon the questions which I have now submitted,

I have, &c.
(signed) *John Manners.*

(1192.)

The Secretary to the Treasury to the Postmaster General.

My Lord, Treasury Chambers, 26 January 1877.

I AM directed by the Lords Commissioners of Her Majesty's Treasury to acknowledge the receipt of your letter of 18th January, on the subject of the payments on account of the Telegraph Service, which were disallowed by the Public Accounts Committee.

In the last paragraph but one, you especially state that the payments in question did not come under the personal cognizance of the Postmaster General. But before my Lords can ask Parliament to remove disallowances ordered by a Committee of the House of Commons, it is necessary that they should be in a position to give a complete statement of the case, and to name the officer who was really responsible for the irregular payment. I am therefore to ask your Lordship to furnish them with the name of the officer in question.

I am, &c.
(signed) *W. H. Smith.*

The Postmaster General.

(145,626.)

The Postmaster General to the Lords Commissioners of the Treasury.

My Lords, General Post Office, 31 January 1877.

With reference to your Lordships' further letter of the 26th instant, on the subject of the payments which have been made to the Electric and International, and United Kingdom Telegraph Companies, and which were disallowed by the Public Accounts Committee of last Session, I beg leave to state that the payments were made under the authority of the late Second Secretary of the Post Office, Mr. Scudamore.

I have, &c.

The Lords Commissioners of the Treasury. (signed) *John Manners.*

(1963—77.)

The Secretary to the Treasury to the Postmaster General.

My Lord, Treasury Chambers, 13 March 1877.

The Committee of Public Accounts, in one of their Reports issued during the year 1876, recommended the disallowance of certain payments which had been made by your Department on account of the Telegraph Service, and the Lords Commissioners of Her Majesty's Treasury decided, in a letter addressed to you on the 7th December last, that the officers of your department, who were at the time responsible for making those payments, must be held personally liable for them, and that steps should be taken to enforce their liability, unless your Lordship wished to show cause for arresting proceedings.

In reply, your Lordship agreed that the responsibility of officers charged with the duty of accounting for public moneys ought to be enforced with all practicable strictness; but you raised the question whether it is desirable in cases where over payments or payments upon insufficient authority have taken place in consequence of an error of judgment, and in which there is no charge of *mala fides*, that the same severe measures should be adopted as in the case of actual malversation of public funds.

You proceeded to state your belief that my Lords are not disposed to regard the payment under notice otherwise than as coming under the former category, and you expressed a hope that if they concurred with you in thinking that a distinctive method of treatment should be observed, it might be possible to satisfy the requirements of the case, without taking proceedings to enforce the personal liability of the individuals responsible for the expenditure which has been disallowed.

I am to assure you in reply, that your representation will have its due weight with this Board; but my Lords, before considering whether or not to enforce personal liability, must ascertain the name and position of the officers whom the decision of the Treasury, confirmed as it is by the verdict of a Committee of the House of Commons, has left personally liable.

The Parliamentary chiefs are of course in the first instance and generally responsible to Parliament for the orderly administration of the departments entrusted to their charge. The service of the State, however, could not be carried on if they did not delegate considerable powers to their subordinates. Hence in every large department the permanent officers have, and must have, a large discretion in authorising expenditure, and means must be found for bringing home to them their individual responsibility for the rightful exercise of this power. Such means in fact exist. A general rule of the public service imposes on every department charged with the expenditure of public money the duty of preparing the account of such expenditure and rendering it to the Comptroller and Auditor General; and this duty is performed on behalf of the department by an officer who signs the account, and is styled the accounting officer of the department. Under present regulations he is usually the permanent chief, but in several of the more important departments the duty is entrusted to the chief financial officer of the department. The accounting officer is primarily responsible for the correctness of his account, and he is personally liable for irregular payments of all kinds, including those which have been made on insufficient authority. In order to discharge himself of his liability for irregular payments of the last-named description he must show, 1. That in making the payment he was obeying the written authority of his superior officer; and, 2. That he had made known to his superior officer in writing that he had no funds legally available for the service in question.

This description will suffice to explain generally the method by which under existing regulations the responsibility of the several officers concerned in an irregular transaction can be traced and defined.

Turning now to the special payments which form the subject of this letter, my Lords observe in your letter of the 18th January last that they were four in number:

1. A payment of 14 *l.* 14 *s.* to the Electric and International Company, paid 8th May 1872.

2. A payment of 1,500 *l.* to United Kingdom Company, paid 27th June 1872.

3. A payment of 576 *l.* 10 *s.* extra pay to officers of the United Kingdom Company, paid 27th June 1872.

 4. A payment

Appendix, No. 8.

4. A payment of 145 *l.* 6 *s.* 3 *d.* interest on the above sum of 1,500 *l.* to the United Kingdom Company, paid 31st December 1873.

It appears, however, that the payment of the last item was approved on the 28th June 1872, and the responsibility attaches rather to the authorisation of payment than to the absolute issue of the money.

These payments then were made or authorised to be made during the period that Mr. Monsell, now Lord Emly, was Postmaster General, and at the time when they occurred the regulation appointing the permanent head or the chief financial officer accounting officer for the department had not been laid down, the account being signed by the Postmaster General himself, who thus in addition to his general responsibility to Parliament, assumed the technical and individual responsibility for the correctness of the account which belongs to the Accounting Officer.

Your Lordship, however, states authoritatively "that the payments in question did not come under the personal cognizance of the Postmaster General (Mr. Monsell)," and in reply to a further question you inform this Board that they "were made under the authority of the late Second Secretary of the Post Office, Mr. Scudamore."

My Lords may observe in passing that this instance proves the wisdom of the regulation contained in their Minutes of 14th August 1872 and 20th December 1872. It will be remembered that the Committee of Public Accounts in the Second Report of the Session of 1872 remarked that the appointment of officers to perform the function of Accounting* Officers by the Treasury had proceeded on no fixed principle. They added that it was impossible that such an anomalous state of things could be permitted to continue, and they recommend that the whole of these appointments should be reconsidered and placed upon a uniform footing in future. The Treasury accordingly laid it down in the Minute of 14th August 1872 that it was not expedient that Parliamentary chiefs of departments should act as accounting officers, inasmuch as the temporary character of their tenure of office, and the burthen of their Parliamentary, in addition to their strictly executive duties, unfitted them, in the opinion of the Treasury, for a real and satisfactory performance of the duties connected with the rendering of the Appropriation Accounts. Constitutional usage might require the *additional* signature of the Minister, but the Treasury stated their intention to nominate as accounting officer, whenever practicable, the permanent head of the department. They modified this intention so far as to substitute, by their Minute of 20th December 1872, the chief financial officer in certain great departments for the permanent chief. The instance under review shows that the signature of the Minister afforded no guarantee for the correctness of the account, and would have been of no assistance to this Board in tracing out and fixing individual responsibility.

* At this date they were called Accountants.

Returning now to the main subject of this letter, namely, the liability for the disallowed expenditure, my Lords, having ascertained that Mr. Scudamore is the officer personally responsible, proceed to consider whether it would be desirable to institute proceedings in order to enforce that responsibility. They cordially agree with your Lordship that there is and has been no imputation of malversation in connection with these transactions. They further entirely acquit Mr. Scudamore of any charge for *mala fides*. They cannot, however, entirely agree with your description of the transactions, as over payments or payments on insufficient authority which have taken place in consequence of an error of judgment. You are aware that after the Committee of Public Accounts had examined and reported on the irregular payments to the amount of many hundred thousand pounds, which had taken place in connection with the Telegraph Service, my Lords consented to give their *ex post facto* sanction to whole classes of payments which ought to have had their previous sanction, but which the Comptroller and Auditor General would not accept on the authority of the Postmaster General alone. My Lords did not on the occasion now in question refuse their sanction because the payments had been made on insufficient authority, but because they disapproved the principle upon which the payments had been made. They declined in consequence to accept any responsibility in connection with them. The Post Office had subsequently a full opportunity of defending those payments before the Public Accounts Committee, but the Committee deliberately confirmed the opinion of this Board.

With this correction my Lords accept your view that the irregularity was due to an error of judgment, and they do not propose to enforce the personal liability which Mr. Scudamore has incurred. They do not, however, think that they ought by a stroke of the pen to relieve that gentleman, or any other officer who may at any time incur personal liability in similar circumstances from a disallowance of so serious a nature, confirmed as it is by the Public Accounts Committee.

They propose, therefore, to ask Parliament to vote a sum to enable them to adjust the account. This course will ensure the submission of serious irregularities to Parliament, and will oblige this Board to show sufficient reason before they relieve a responsible officer from the liabilities which he has incurred.

My Lords propose to lay the correspondence which has taken place on this subject before the Public Accounts Committee.

I am, &c.

The Postmaster General. (signed) *W. H. Smith.*

The Comptroller and Auditor General to the Secretary to the Treasury

Exchequer and Audit Department,
24 March 1877.

Sir,

I AM directed by the Comptroller and Auditor General to acknowledge the receipt of Mr. Law's letter of the 14th instant, transmitting a copy of a letter addressed by the Treasury to the Postmaster General on the 13th instant, on the subject of the disallowances on the Telegraph Capital Account, 1874–75, which were confirmed by the Committee of Public Accounts in their Second Report of 1876. I am to express the satisfaction of the Comptroller and Auditor General that a rule has now been laid down by the Lords Commissioners of Her Majesty's Treasury on the subject of personal liability for irregular payments, or payments made on insufficient authority, out of the Grants or Votes of Parliament. The absence of such a rule as regards the Post Office Accounts was, as their Lordships will probably remember, the subject of remark in the 5th paragraph of the Comptroller and Auditor General's Report upon the Post Office Vote for 1873–74.

The Comptroller and Auditor General fully concurs in what appears, from the course proposed in the Treasury Letter of the 13th instant, to be the opinion of their Lordships, that a disallowance confirmed by the Public Accounts Committee is most properly to be removed by the action of Parliament itself; indeed, it appears to him that it is by the action of Parliament *alone* that a disallowance so confirmed can be removed at all.

With regard to the expressed intention of their Lordships to ask Parliament to *vote* a sum to enable them to adjust the Account, I am to point out that the disallowances now under remark were made not upon the Vote, but upon the Telegraph *Capital* Account for 1874–75. Under these circumstances, I am to submit for consideration whether, in the event of the balance now remaining of the funds provided by the Telegraph Acts of 1869, 1871, 1873, and 1876 being sufficient for the purpose, the object in contemplation might not be effected, with perhaps even greater exactness of account, by a resolution of the House of Commons authorising the expenditure in question to be charged against the Capital Account.

I am, &c.
(signed) *H. Treherne.*

The Secretary to the Treasury.

The Secretary to the Treasury to the Comptroller and Auditor General.

Sir,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to acknowledge the receipt of your letter of the 24th ultimo, asking whether the expenditure charged against the Telegraph Capital Account, but disallowed by the Public Accounts Committee in 1876, should not be authorised by Resolution of the House of Commons, rather than that a Vote should be taken to enable the persons who are now responsible for the disallowed expenditure, to make good the sums which are personally charged against them, I am to inform you in reply that on full consideration my Lords prefer a Vote to a Resolution. It appears to them that a Resolution may possibly be misinterpreted as obliterating the irregularity, and that it may be regarded by departments as a mere formal proceeding of condonation. On the other hand, a Vote expresses in their view precisely the meaning of the process by which the disallowed expenditure is to be made good. A Committee of the House of Commons disallows certain expenditure, and deliberately leaves the authorities of the department which incurred the expenditure chargeable therewith, and until the amount of the disallowance is made good, the account cannot be adjusted. The next step, therefore, would be for the Treasury to call on the officers who are personally responsible to pay up the deficient amount, but my Lords propose that, if in their opinion the irregularity is not sufficiently great to require so severe a punishment, they should ask Parliament to grant a sum to enable the responsible persons to make good the deficiency. Thus the principle is maintained that any sum disallowed by the Public Accounts Committee must be actually repaid to the Vote or fund from which the disallowed expenditure was originally defrayed.

I am, &c.
(signed) *W. H. Smith.*

The Comptroller and Auditor General.

Appendix, No. 9.

Appendix, No. 9.

PAPER handed in by Mr. *Welby*.

(18,309—77.)

Mr. *R. R. W. Lingen* to the Postmaster General.

My Lord, Treasury Chambers, 23 March 1877.

The Lords Commissioners of Her Majesty's Treasury have had under their consideration your letter of 20th November 1876, upon the subject of sundry promotions in the Post Office which have been queried by the Comptroller and Auditor General, on the ground that the persons promoted had not obtained proper certificates of qualification from the Civil Service Commissioners.

The questions thus raised are of great importance in their general bearing, besides being complicated with personal details.

My Lords see no reason to dissent from the general principle laid down by the Civil Service Commissioners in Mr. Mann's letter to the Comptroller and Auditor General of 26th August 1876, that where the situations to which promotions within a public department are made belong to the same classification, such cases are governed by the third paragraph of Schedule B. to the Order in Council of 4th June 1870, and that no fresh certificate is required.

But then comes the question what is meant by "the same classification?"

And the answer to this question seems to be that which is suggested in the same letter of Mr. Mann's, viz., "situations for which no rules have ever been settled under the Order in Council," subject, however, to the implied condition that the similarity of the qualifications rendered additional rules unnecessary. For, in the sequel of this correspondence, which is printed in the last Report of the Comptroller and Auditor General (1875-6, p. 362), Mr. Treherne and Mr. Mann, representing respectively the Comptroller and Auditor General, and the Civil Service Commissioners, both very justly, in the opinion of my Lords, point to the need which the cases in question show of defining the several classifications of the various branches of the Post Office, and of specifying the particular appointments or situations within each classification.

My Lords request that your Lordship will accordingly cause the "plans for the regulation of the Post Office according to the requirements of the Order in Council," which are set forth in Mr. Tilley's letters of 16th June 1874 to the Chairman of the Public Accounts Committee, and in your Lordship's letter of 18th June 1874 to the Treasury, to be carefully examined, with a view to collect under each prescribed examination the several situations throughout the Post Office establishment, to which they are meant to open the way without further examination, and that your Lordship will cause the result, which should embrace the entire Postal service (including Telegraphs), to be forwarded to my Lords for consideration in connection with the Orders in Council.

My Lords desire, in connection with the letters last above quoted, to call your Lordship's attention to pp. 109—115 of the last (20th) Report of the Civil Service Commissioners, in which the same matter is set forth.

In the meantime, as regards the persons whose promotions have been queried by the Comptroller and Auditor General, my Lords think that no more needs to be said respecting those in whose case the Civil Service Commissioners have expressed themselves satisfied.

My Lords also think that the transfer of Messrs. Patrick, Oakley, and Gilbert, is satisfactorily explained.

The promotion without further examination of boy clerks examined for that situation before 12th February 1876, appears, from your Lordship's explanations, to be part of the contract with them; and my Lords have already given expression to this opinion in the letter (3769) from the Treasury to your Lordship of the 13th instant.

My Lords are disposed to think that the transfer of Messrs. Wilson (clerk at York), M'Donnell (clerk in Circulation Department), Horton (clerk in Savings Bank Department), and Hooley (clerk in Money Order Office), admits of satisfactory explanation, assuming that they are transferred to the second grade of the Secretary's Department.

The most serious cases are those which are printed on page 363 of the Report of the Comptroller and Auditor General for this year (except the cases of Messrs. Green and Beack).

Explanation is *primâ facie* required, when Mr. Durham, a second-class sorter at Dublin, on weekly wages of 29 *s.* by 2 *s.* to 36 *s.*, is advanced without any further examination or certificate to be Assistant Inspector of Mails, so as to be next in rank to the Inspector of Mails with a salary of 500 *l.*, rising by 20 *l.* per annum to 700 *l.*

The appointments of the porters, White, Springett, Edwards, and Headworth, and of the labourer Warwick, to be messengers, is not reconcileable with the promotion of messengers to messengerships to be held out to them on the face of the plans submitted to the Public Accounts Committee and to the Treasury. The interests of the boy messengers would appear to be as much interfered with in these instances as those of the boy clerks, which

which it has been thought necessary to protect. But these points are material only so far as they tend to suggest that these appointments to situations requiring a higher certificate than the appointees had obtained was against, rather than in pursuance of the common practice. Appendix, No. 9.

The examination prescribed for porters is certainly not commensurate with the duties of a messenger. Labourers, of course, are not, and ought not to be examined at all.

The boy messenger Drayson, who is turned into a boy sorter, has apparently passed a higher examination for his former than for his latter office, and the objection to his transfer is therefore one of form, not of substance, and may be waived. No doubt, however, where a person is transferred, like Drayson, to a different classification, notice ought to be given to the Civil Service Commissioners, or the members of certain classifications ought to be declared to be interchangeable by some general rule.

My Lords are not sure whether the assistants spoken of in the Foreign Branch of the Circulation Department are assistant sorters, or are persons who have the same kind of duties to perform as the assistants in the Secretary's Department. The assistant letter carriers, Taylor, Bailey, Tanner, Taylor, Kemp, and Butler, have not passed such an examination in handwriting as is prescribed for assistants of this latter kind; but these cases probably, like some of the others, might be made regular by such a revision of the examinations and promotions as has been suggested in the earlier parts of this letter.

* * * * * * * *

I am, &c.

The Postmaster General. (signed) *R. R. W. Lingen.*

Appendix, No. 10.

PAPER put in by Mr. *Welby*, and referred to in his Evidnce, Q. 519. Appendix, No. 10.

Mr. *R. R. W. Lingen* to the Postmaster General.

My Lord, Treasury Chambers, 26 March 1877.

The Lords Commissioners of Her Majesty's Treasury have had under their consideration your Lordship's two letters of the 19th instant, and a third letter of the 22nd instant, relative to the workmen described at pp. 565–6 of the current year's Estimate, for Telegraphs, as mechanics, linemen, assistants, &c.

These letters raise two distinct sets of questions, viz.:—

1. The strength, classification, and conditions of employment of the whole body.

2. The claim of a certain number of individuals now belonging to the body to be included in the number of those to whom the Superannuation Post Office and War Office Act, 1876, is applicable.

The latter question is the more urgent, and my Lords propose to confine the rest of this letter to it.

* * * * *

My Lords think, however, that, apart from the words in Section 2 (*a*) of the Superannuation Act, 1876, about situations or employments authorised by the Treasury, there is this distinction between clerical and mechanical labour, that the latter, in the absence of special agreements, is everywhere regarded as matter of ordinary hiring at the market rate. My Lords decide not to place any of the linemen, &c., appointed in excess of the establishment approved by the Treasury Letter (11,511) of 30th July 1872, under the Superannuation Act of 1876.

A certain number of such men will, no doubt, be placed upon the mechanical part of the Telegraph Establishment when its classification comes to be settled in such proportion as will provide properly for the superintendence of the labour employed, the bulk of which my Lords are of opinion should not be established, but should remain hired simply.

My Lords think it preferable not to deal with the linemen appointed in excess of the number sanctioned by the Treasury in July 1872, except as part of this general settlement. There will be no serious difficulty in providing that such of them as may ultimately have occasion for Civil Service Certificates shall receive them.

Appendix, No. 10.

A nominal list of the linemen, &c., appointed in excess of the establishment approved in 1872, and included in the list of persons recommended for the benefit of the Act in the list, enclosed in your Lordship's letter of the 26th ultimo, should be furnished to the Treasury at the earliest possible moment.

I am, &c.
(signed) *R. R. W. Lingen.*

The Postmaster General,
&c. &c. &c.

N.B.—The Post Office have sent in a nominal list, as requested in the last paragraph, and it is now before the Treasury.

Appendix, No. 11.

Appendix, No. 11.

PAPER handed in by Mr. *Milton*, 2 May 1877.

The Under Secretary of State, War Office, to the Secretary to the Treasury.

Sir, War Office, Pall Mall, 30 March 1869.

7023. 308.

I AM directed by Mr. Secretary Cardwell to inform you, that having had under consideration the preliminary Report of a Committee representing this Department and the India Office on the present system of adjusting the recruiting and depôt charges of Her Majesty's regiments serving in India by a capitation of 10 *l.* per man, he is of opinion that it is desirable to continue that arrangement for one year from 1st April next, during which period the Committee will consider and report on the best mode of adjustment for those services.

I am to observe that, in anticipation of a system of direct payment by the India Office, of the furlough pay of officers on leave in this country from India, a sum of 136,000 *l.* has been deducted from Vote 1 of the Army Estimates for the year 1869–70; and, as the entire amount due by the India Office under the capitation arrangement will, as hitherto, be paid by that Department to the Treasury, Mr. Cardwell would, therefore, propose that the amount actually paid on that account should be repaid to the War Office out of that contribution.

I have, &c.
(signed) *Edward Lugard.*

The Secretary to the Treasury,
Treasury Chambers.

Mr. *W. Law* to the Under Secretary of State, War Office.

Sir, Treasury Chambers, 4 May 1869.

5499/69. 7023. 322. 308.

I AM directed by the Lords Commissioners of Her Majesty's Treasury to state, for the information of the Secretary of State for War, with reference to your letter of the 30th March, that my Lords have no objection to the continuance of the present arrangement with regard to the capitation rate on account of the recruiting, &c., charges of Her Majesty's regiments in India for the further period, as proposed, of one year from 1st April.

My Lords desire me to request that you will draw Mr. Cardwell's attention to the correspondence in 1866, respecting "Messing Contributions," and to suggest that the subject may be fully considered by the Committee which is referred to in your letter.

I am to observe with respect to the last paragraph of your letter, that if, as my Lords understand, the payment of furlough pay will still, for the present, be undertaken by the War Office, the preferable course would seem to be, that the actual expenditure on this account should be repaid by the Indian Government direct to army funds to be applied in aid of the Vote, and not included in the amount paid into the Exchequer by the Indian Government under the Capitation arrangement.

I am, &c.
(signed) *William Law.*

The Under Secretary of State,
War Office.

Appendix, No. 11.

EXTRACT from War Office Letter, dated 20 February 1869, to Secretary to the Treasury.

6848.
853.

"I AM directed by Mr. Secretary Cardwell to transmit to you the inclosed copy of the Estimates which he proposes to submit to the House of Commons for the expenditure upon Army Services for the year 1869–70.

"Their total amount is 14,230,400 *l.*, which is 1,225,000 *l.* less than the amount voted for the current year.

"A portion of this decrease, amounting to about 136,000 *l.*, arises from an arrangement to be completed with the Indian Government, that the pay of officers on leave from the army in India shall not in future be chargeable to Imperial funds, but be defrayed directly by the India Office.

"This arrangement will decrease by a similar amount the sum estimated to be received from India through the Finance Accounts for the year."

Sir, War Office, Pall Mall, 25 April 1872.

7023.
470.

I AM directed by Mr. Secretary Cardwell to enclose, for the information of the Lords Commissioners of Her Majesty's Treasury, a copy of the Fourth Report of the Committee appointed by the Secretaries of State for War and for India, to make arrangements for adjusting, from 1st April 1870, the home charges for effective services of Her Majesty's regiments in India; and I am to acquaint you that Mr. Cardwell concurs therein.

I am also to request that the arrangements referred to in the report may be submitted for the approval of the Lords Commissioners of Her Majesty's Treasury, and their Lordships' opinion thereon communicated to this office as early as convenient.

I have, &c.

The Secretary to the Treasury. (signed) *H. Campbell.*

Mr. *W. Law* to Mr. *H. C. Bannerman*, M.P.

Sir, Treasury Chambers, 20 June 1873.

7211/72.
509.

I AM directed by the Lords Commissioners of Her Majesty's Treasury to inform you that my Lords are pleased to approve of the proposals contained in the Fourth Report of the Committee appointed by the Secretaries of State for War and India, to make arrangements for adjusting the home charges for effective services of Her Majesty's regiments on the East India Establishment on the principle of actual charges.

My Lords understand these proposals to be:—

1. That the charges for difference of men on passage to and from India shall be as follows, viz.:—

	£.	s.	d.	£.	s.	d.
Cavalry	45	16	10			
Add for forage	10	—	5			
				55	17	3
Infantry				27	7	11
Royal Horse Artillery				47	10	7
Royal Artillery				40	11	5

2. That the practice of not sending out men who have less than two years to serve should be continued, and that in calculating the number on which the sums are to be paid for effective men going out or returning with their corps, India will not receive credit for men who have less than two years to serve.

3. That the charge to India for Recruits shall be as follows:—

	£.	s.	d.
Cavalry recruit	136	13	11
Infantry	63	8	5
*Royal Horse Artillery recruit	78	14	8
*Royal Artillery Mounted recruit	59	2	10
Royal Artillery Dismounted recruit	58	9	3

4. That the rates at present chargeable for non-commissioned officers of Royal Engineers required for special service in India, is fixed in the Report of the Committee, which considered the subject in March 1867, should remain in force.

5. That India will pay directly the Colonels' allowances and furlough pay.

My

* With an addition of 13 *l.* 11*s.* if the recruit shall have passed through the Riding House Establishment.

Appendix, No. 11.

My Lords understand that since the date of the report, it has been found impracticable for India to pay the colonels directly. They, therefore, assume that their sanction is no longer asked to that portion of the arrangement.

6. That the expenditure incurred on account of all invalids or time-expired men awaiting their discharge, is not to be included in the rate per recruit, but is to be paid independently.

7. That the rates should be subject to revision.

I am, &c.

H. Campbell-Bannerman, Esq., M.P. (signed) *William Law.*

The Financial Secretary, War Office, to the Secretary to the Treasury.

Sir, War Office, 24 November 1875.

6596/72. I AM directed by Mr. Secretary Hardy to acquaint you, for the information of the Lords Commissioners of Her Majesty's Treasury, that the amount of the advances by this Department on behalf of the India Office for regimental and other services since the cessation of the Capitation Rate of 10 *l.* per man on effectives in India is as follows:—

	£.	s.	d.	£.	s.	d.
1870-71 - - - - - - - - - - -	486,684	12	6			
Less charge for drafts and other services ultimately due to the Exchequer - - - - - - - -	377,438	10	5			
				109,246	2	1
1871-72 - - - - - - - - - - -	444,512	7	6			
Less as abov - - - - - - - - -	344,708	14	11			
				99,803	12	7
1872-73 - - - - - - - - - - -	-	-	-	79,082	12	5
1873-74 - - - - - - - - - - -	-	-	-	86,661	12	5
1874-75 - - - - - - - - - - -	-	-	-	31,259	2	10
				£. 406,053	2	4

As it appears from the Finance Accounts for the years 1870-71 to 1874-75, that re-payments on the above accounts have been made by the India Office to the Treasury, I am to request that you will move their Lordships to cause the sum of 300,000 *l.* to be transferred to the credit of Army Funds in part payment of the balance outstanding.

I have, &c.

The Secretary to the Treasury. (signed) *F. Stanley.*

Mr. *W. Law* to the Financial Secretary, War Office.

Sir, Treasury Chambers, 7 March 1876.

6596/74. I AM directed by the Lords Commissioners of Her Majesty's Treasury to request you to state to Mr. Secretary Hardy that they understand from your letter of the 24th 4050/76. November last, that the War Department have, in the interval between 1st April 1870 (the date of the cessation of the Capitation Rate of 10 *l.* per effective man in India) and the 31st March 1875, expended on behalf of the India Office, for regimental and other services, a sum of 406,053 *l.* 2 *s.* 4 *d.*, for which no provision was made in the Estimates submitted to Parliament, and which has, therefore, been spent without the sanction of Parliament.

My Lords do not clearly understand the authority under which, the purposes for which, and funds from which, the expenditure has been defrayed. They observe that, in 1862, provision was made for the first time, in Army Estimates, for the Home Charges of Regiments serving in India, and the then Board of Treasury, in conveying their sanction to those Estimates, remarked (17th February 1862): "My Lords approve of the arrangements for paying into the Exchequer the contributions from the Indian Government on account of the depôt staff and other charges in this country of the regiments serving in India, instead of taking them into account in diminution of the Votes of Parliament."

On the 3rd of March of the same year the Secretary of State for War, in moving the Army Estimates, stated to the House of Commons, "there have been some charges brought into these Estimates, for the first time. For the first time, the charges for the Indian Depôts and Recruiting for the Indian Army appear in these Estimates. . . . The whole of the repayments for effective service, which are estimated to amount to about 730,000 *l.* appear for the first time as a set-off against this sum;" and further, the Chancellor of the Exchequer, in opening the Budget for the year 1862-63, stated: "We bring into charge on both sides of the Account this year, for the first time, our estimated expense on account of the Indian effectives. The amount of that charge is 730,000 *l.*, which was never presented to the House of Commons at all before, either in the Estimates of Expenditure on the one side, or the Estimates of Revenue on the other, but which now appears in both."

My Lords consider that when the responsible Ministers of the Crown formally announce to the House of Commons a change of financial regulation such as that prescribed, the Government is bound to observe faithfully the change of practice so announced until they state to the House of Commons their intention of amending or abandoning the new policy.

My

My Lords accordingly find that, in 1869, the War Office reported to this Board the omission of the Pay of Officers on Furlough from the Army Estimates, and it was distinctly stated on the face of the Estimates themselves that a corresponding amount was abated from the extra receipts of the year, while the Secretary of State informed the House of Commons of the change.

But my Lords cannot find that intimation was given either to Parliament or to this Board of further changes.

My Lords have, therefore, no knowledge of the services which, since 1870, have been omitted from the Estimates, and they are unable to understand how it has been possible for the War Office to incur so large a liability unknown to this Board or to Parliament.

The Secretary of State will, no doubt, cause a statement to be prepared of the services in question for which provision was made in the Estimates of his Department up to 31st March 1870, but which have been omitted since that time from the Estimates. It is desirable that such a statement should show the amount incurred under each separate head of service in each year, and the Vote to which it would have been chargeable. He will, do doubt, also inform them of the sources from which money was procured to meet such large expenditure.

But in the meantime, the money has been spent, and, as the Secretary of State must be aware, it can only be made good by Parliament. In your letter under review, indeed, you ask that this Board will cause a sum of 300,000 *l.* to be transferred to the credit of Army Funds, in part payment of the balance outstanding. A moment's reflection will, however, show that this is impossible. My Lords have no funds at their disposal out of which they can make good such expenditure. The only power that can sanction it, or supply such deficiency, is the House of Commons.

I am, therefore, to suggest to you to move Mr. Secretary Hardy to lay immediately upon the Table of the House a Supplementary Estimate for the amount deficient up to the 31st instant, so that it can be voted and applied to the service of the current year.

If it should be Mr. Hardy's wish that any portion of the Home Charges of Regiments serving in India should for the future be omitted from Army Estimates, it is desirable that he should submit his proposal, with the reasons for the change of practice fully stated, to this Board. It is further desirable that, if such change should be agreed to, the fact should be communicated to Parliament.

My Lords do not feel able, without further information, to express an opinion upon the causes which have led to the deficiency of funds now in question; but they are sure that Mr. Hardy will agree with them that such expenditure should not be permitted to continue for a moment longer, and due precaution should be taken to prevent a repetition of the irregularity.

I am, &c.

The Financial Secretary,
War Office.

(signed) *William Law.*

The Financial Secretary, War Office, to the Secretary to the Treasury.

Sir, War Office, Pall Mall, 29 March 1876.

6596/74.

I AM directed by Mr. Secretary Hardy to acknowledge the receipt of Mr. Law's letter of the 7th instant relative to the payments that have been made by this Office between 1st April 1870 and the 31st March 1875, for Regimental and other Services for which no provision was made in the Estimates.

Mr. Law states that these sums have, "therefore, been spent without the sanction of Parliament": but this statement is scarcely correct, as in the Estimates for 1870–71, the first year in which these payments were made, it was distinctly stated to Parliament in five different places that these payments would be made, and would be charged against India.

Pages 2, 148, 149, 152, and 154.

This remark likewise answers Mr. Law's statement further on in the letter under acknowledgment that their "Lordships cannot find that any intimation was given, either to Parliament or to the Treasury Board, of further changes in the "system of repayment through the Capitation Rate, beyond that regarding the Furlough Pay of Officers, and that their Lordships have, therefore, no knowledge of the services which, since 1870, have been omitted from the Estimates."

The facts above stated, with the further fact that the expenditure on behalf of India now in question has been passed, item by item, by the Comptroller and Auditor General, so completely proves that Mr. Law's letter was written under a misunderstanding of the case, regarding which, information has since been given to the Chancellor of the Exchequer, that Mr. Hardy does not think it necessary to reply in detail to the other statements or questions in Mr. Law's letter. But with reference to its concluding remark that their Lordships are sure that he will agree with them "that such expenditure should not be permitted to continue for a moment longer, and that due precaution should be taken to prevent a repetition of the irregularity," he will only remark that no irregularity whatever has occurred, that the regular course pursued from time to time immemorial in making payments in this country for services chargeable against India, has been pursued in this instance, and that the practice cannot be discontinued.

I have, &c.

The Secretary to the Treasury.

(signed) *F. Stanley.*

Appendix, No. 11.

The Secretary to the Treasury to the Financial Secretary, War Office.

Sir, Treasury Chambers, 30 March 1876.

6596/75. I AM directed by the Lords Commissioners of Her Majesty's Treasury to request you
5447/76. to call the attention of the Secretary of State for War to your letter of the 24to November last, reporting that the War Office had incurred between 1870-71 and 1874-75, a debt of 406,053 *l.* 2 *s.* 4 *d.*, on account of regiments serving in India, and to the letter of this Board on the same subject, dated the 7th instant. Mr. Hardy is aware that, in a conference which took place subsequently, my Lords undertook to present an estimate for a sum to make good the moneys which had been appropriated to this purpose.

From the balance-sheet attached to the Army Appropriation Account for 1874-75, it appears that these special charges had, on the 30th September 1875, amounted to 466,317 *l.* 12 *s.* 2 *d.*, and further sums have doubtless been paid since, which will together amount to upwards of the total amount of the supplementary grant of 500,000 *l.*

They have, therefore, given directions to the Paymaster General to transfer in his books, on or before the 31st instant, the total special Vote of 500,000 *l.* to the credit of Army Services. At the same time, I am directed to request an early reply to this Board's letter of the 7th instant, and that it may be accompanied by a detailed statement of the actual expenditure in each year for this service as recorded in the books of the War Office up to the 31st of March.

I am, &c.

The Financial Secretary, War Office. (signed) *W. H. Smith.*

The Financial Secretary, War Office, to the Under Secretary of State for India.

Sir, War Office, 31 March 1876.

7023. I AM directed by Mr. Secretary Hardy to acquaint you, for the information of the
669. Secretary of State for India in Council, that, in addition to the sums of 340,000 *l.* for effective, and 400,000 *l.* for non-effective services of Her Majesty's regiments serving in India, shown on page 3 of the Army Estimates for the ensuing year, as the anticipated payments by the Indian Government on account of those charges, it is estimated that a further expenditure of 87,000 *l.* for unvoted services, including the pay of colonels of regiments in India, &c., will be incurred during the year 1876-77.

I am, therefore, to request that the sum of 20,000 *l.* on account may be transferred to the credit of this office at the Bank of England at the end of each quarter, subject to final adjustment on the presentation of the Accounts for the year.

I have, &c.

The Under Secretary of State for India. (signed) *F. Stanley.*

The Under Secretary of State, War Office, to the Under Secretary of State for India.

Sir, War Office, 26 April 1876.

7023. I AM directed by Mr. Secretary Hardy to request that you will be good enough to
671. furnish him with a reply to the letter from this office of 31st ultimo, No. 7023—669, regarding the transfer of 20,000 *l.* at the end of each quarter, on account of the sum of 87,000 *l.* for unvoted services, including the pay of colonels of regiments in India, &c., during the year 1876-77.

I have, &c.,

The Under Secretary of State for India. (signed) *J. C, Vivian.*

The Under Secretary of State for India to the Under Secretary of State for War.

Sir, India Office, 25 April 1876.

7023. I AM directed by the Secretary of State for India in Council to acknowledge the
672. receipt of your letter of 31st ultimo, No. 7023—669, requesting an advance of twenty thousand pounds (20,000 *l.*) a quarter, on account of "unvoted services, including pay of colonels of regiments in India, &c." during 1876-77, and, in reply, to acquaint you that, in a letter to the Treasury, dated the 22nd ultimo, it was agreed to advance to the Exchequer during the year in question a sum of one hundred thousand pounds (100,000 *l.*) a quarter in respect of effective charges for British troops serving in India, and as the estimated charge for the pay of colonels of regiments in India is included in that amount, the advance can only be made as requested in your letter on an understanding with the Lords of the Treasury that the quarterly advance of one hundred thousand pounds (100,000 *l.*), above referred to, will be reduced by a corresponding amount.

I have, &c.

The Under Secretary of State for War. (signed) *Louis Mallet.*

Appendix, No. 11.

The Financial Secretary, War Office, to the Secretary to the Treasury.

Sir, War Office, 16 May 1876.

I AM directed by Mr. Secretary Hardy to enclose, for the information of the Lords Commissioners of Her Majesty's Treasury, copy of the India Office letter dated 25th ult., in reply to an application from this office for a quarterly advance of 20,000 *l.* during the year 1876-77, on account of unvoted army services, including the pay of colonels of regiments in India, &c.

It will be observed that this Department has been referred to the India Office, letter addressed to their Lordships on 22nd March last, by which the advance or repayment from Indian revenues for effective charges appears to have been fixed at 400,000 *l.* per annum, and this arrangement having been made with the India Office without, as it would appear, any communication on the subject with this Office, I am to request that Mr. Hardy may be favoured with a statement of the basis upon which their Lordships have fixed the contribution from Indian Revenues on account of effective charges at that amount.

I have, &c.

The Secretary to the Treasury. (signed) *F. Stanley.*

The Financial Secretary, War Office, to the Secretary to the Treasury.

Sir, War Office, 19 June 1876.

I AM directed by Mr. Secretary Hardy to request that he may be favoured with a reply to the letter from this Office, dated 16th ultimo, No. 7028—672, having reference to the contribution of 400,000 *l.* from Indian Revenues on account of the effective charges of Her Majesty's regiments in India for the current year.

675.

I have, &c.

The Secretary to the Treasury. (signed) *F. Stanley.*

The Financial Secretary, War Office, to the Secretary to the Treasury.

Sir, War Office, 17 November 1876.

REFERRING you to the letter from this Office, dated 19th June last, I am directed by Mr. Secretary Hardy again to request that he may be favoured with an answer to a previous letter, dated 16th May last, on the subject of advances by the Government of India on account of effective services for the current year.

I have, &c.

The Secretary to the Treasury. (signed) *F. Stanley.*

Lord *Eustace Cecil* to the Under Secretary of State for India.

Sir, War Office, 16 November 1876.

I AM directed by Mr. Secretary Hardy to request that you will move the Secretary of State for India in Council to give directions for the transfer of the sum of 140,000 *l.* to the credit of this Office at the Bank of England, being the amount to be contributed from Indian Revenues in aid of the expenses incurred for the Educational Services of the Army for the period from 1st April 1870 to 31st March 1877, under the arrangement contained in paragraphs 16 and 17 of Mr. Bouverie's Committee of Arbitration.

645*a*.

I have, &c.

The Under Secretary of State for India. (signed) *Eustace Cecil.*

Appendix, No. 11.

The Under Secretary of State for India to the Under Secretary of State for War.

Sir, India Office, S.W., 12 December 1876.

7023. 709. I AM directed by the Secretary of State for India in Council to acknowledge the receipt of your letter of the 16th ultimo, No. 48 E—1,452, requesting payment of the sum of one hundred and forty thousand pounds (140,000 *l.*), being the amount to be contributed by Indian Revenues on account of Educational Services of the Army for the period from 1st April 1870 to 31st March 1877, under paragraphs 16 and 17 of the Report of Mr. Bouverie's Committee, and, in reply, to state that, as large advances have been and are still being made to the Lords of the Treasury on account of Effective Charges for Troops serving in India, for the period above referred to, Lord Salisbury is unable to sanction the payment of the amount claimed by the War Office pending the final settlement of the Accounts in question, but that on the adjustment of those Accounts with the War Office, a charge of 20,000 *l.* in each year for the Educational Services of the Army will be admitted.

I have, &c.

The Under Secretary of State for War. (signed) *Louis Mallet.*

The Financial Secretary, War Office, to the Secretary to the Treasury.

Sir, War Office, 16 January 1877.

REFERRING you to the correspondence detailed in the margin* which as yet remains without either acknowledgment or reply, I am directed by Mr. Secretary Hardy to acquaint you, for the information of the Lords Commissioners of Her Majesty's Treasury, that in pursuance of the recommendation of Mr. Bouverie's Committee, an application was made to the India Office for the transfer to the credit of this Office of a sum of 140,000 *l.* being the amount of the contribution by Indian Revenues in aid of the Educational Services of the Army for the seven years ending on 31st March next. The Secretary of State for India, however, states his inability to sanction the payment of the amount, as large advances have been, and are still being made, to the Treasury on account of Effective Charges for Troops serving in India. In requesting that the attention of their Lordships may be directed to the fact that the advances by the India Office on account of Educational Services have hitherto been invariably adjusted by direct payments to this office, I am to point out that arrangements of this nature made without previous communications with the War Office, render it impossible for this office to estimate correctly the approximate amount to be paid into the Exchequer as extra receipts, and with a view of avoiding similar difficulties in the preparation of the Estimates of next year, I am to suggest that a conference, in which the Treasury, India Office, and War Office should each be represented, should meet at an early date for the consideration of the subject.

I have, &c.

The Secretary to the Treasury. (signed) *F. Stanley.*

Mr. *Law* to the Financial Secretary, War Office.

Sir, Treasury Chambers, 12 December 1876.

19,303. 706. 7023. 708. I AM directed by the Lords Commissioners of Her Majesty's Treasury to forward to you a copy of a letter which they have received from the Comptroller and Auditor General, calling attention to the non-delivery to him of the Appropriation Account of the Vote of 500,000 *l.*, in respect of the home charges for troops serving in India; and I am to request that, in laying the same before the Secretary of State, you will move him to direct that the materials for making up the account may be at once furnished to this Board, as requested by their letter of 9th October last, and I am to press that the Comptroller and Auditor General may have every facility given to him for inspecting the vouchers, &c., upon which the account will be founded.

I am to point out, as remarked by the Comptroller and Auditor General, that the accounts ought to have been sent from the Treasury to the Audit Office on the 30th of November, and to add that if my Lords do not receive the details asked for in sufficient time, they will have no alternative but to inform the Comptroller and Auditor General that they have been unable to make up the account, as it has not been in their power to obtain the materials from the War Office.

I am, &c.

The Financial Secretary, War Office. (signed) *William Law.*

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* War Office letter, 16th May 1876, 7023-672; War Office letter, 19th June 1876, 7023-675; War Office letter, 17th November 1876, 7023-675

The Financial Secretary, War Office, to the Secretary to the Treasury.

Sir, War Office, 23 December 1876.

7023.
687.

In reply to your letter of the 9th October last, stating that it is desirable that their Lordships should be informed, at an early date, of the total expenditure of the War Office in respect of the home charges of troops serving in India, for which the sum of 500,000 *l.* was specially voted by the House of Commons in March last,

I am directed by Mr. Secretary Hardy to enclose you a statement of the sums issued as advances by this Office on account of the India Office for each year from 1st April 1870 to 31st March 1876, amounting in all to 582,230 *l.* 14 *s.* 4 *d.*, after deducting miscellaneous credits, as recorded in the books of this Office, and as already appropriated therein by the Comptroller and Auditor General to the "Account with the Secretary of State in Council of India for Regimental Advances."

I have, &c.

The Secretary to the Treasury. (signed) *Fred. Stanley.*

The Financial Secretary, War Office, to the Secretary to the Treasury.

Financial Secretary's Department,

Sir, War Office, 6 April 1877.

I am directed by Mr. Secretary Hardy to acknowledge the receipt of Mr. Law's letters of the 20th of February last, No. 2100-77 and 2859-77, and in reply to state, for the information of the Lords Commissioners of Her Majesty's Treasury, that no remark occurs thereon to the Secretary of State beyond the observation that he observes with regret the use of the term "irregularity," as applied to the proceedings of this Office in the correspondence between Mr. Law and Mr. Treherne, Mr. Hardy having already stated his opinion that no irregularity had occurred on the part of the War Office, and the question being still under the consideration of the Public Accounts Committee.

I have, &c.

The Secretary to the Treasury. (signed) *Fred. Stanley.*

Appendix, No. 12.

PAPER handed in by Mr. *Ryan*, 2 May 1877.

STATEMENT showing HOME CHARGES of HER MAJESTY'S TROOPS serving in INDIA on Account of EFFECTIVE and NON-EFFECTIVE SERVICES for the Years 1870–71 to 1873–74, also the AMOUNT Advanced by INDIA to meet the same.

EFFECTIVE SERVICES.

	Pay of Officers, Non-Commissioned Officers and Men, and Contingent Disbursements.	Charge for Drafts embarked.	Difference of Number of Men on Passage with Regiments.	Charge for Barrack Accommodation at the Royal Victoria Hospital, Netley, and Discharge Depôt, Chichester.	Charge for Excess Cost of Bread and Meat at the Discharge Depôt, Chichester.	Proportion of Staff Expenses at the Discharge Depôt, Chichester.	Proportion of Staff Expenses at the Royal Victoria Hospital, Netley.	Excess Cost of Hospital Supplies at Netley Hospital beyond the Stoppage.	Charge for Brigade Depôts.	Charge for Royal Artillery Depôt.	Charge for Cavalry Depôt at Canterbury. — Estimated Amount.	Total Charges for Effective Services.	Advanced by India to meet War Office Charges for Effective Services in respect of the Years 1870-71 to 1875-76.	
	£. s. d.	£. s. d.	£. s. d.	£. s. d.	£. s. d.	£. s. d.	£. s. d.	£. s. d.	£.	£.	£.	£. s. d.		£.
1870-71 - -	109,246 2 1	334,733 4 3	26,222 2 –	3,948 15 –	83 9 6	1,422 1 1	7,881 13 6	3,147 5 1	–	–	–	486,684 12 6	1870-71	505,000
1871-72 - -	99,803 12 7	293,290 7 1	36,154 4 6	2,463 11 8	211 6 9	1,936 5 4	6,994 – 1	3,658 19 6	–	–	–	444,512 7 6	1871-72	435,000
1872-73 - -	92,248 18 3	235,886 11 1	47,013 5 2	1,506 3 4	8 18 1	906 18 9	7,961 12 8	3,079 10 4	–	–	–	388,611 17 8	1872-73	450,000
1873-74 - -	87,791 19 5	150,629 1 11	56,892 2 7	1,496 3 4	– –	9,423 15 1	6,286 15 6	– –	91,250	–	–	403,769 17 10	1873-74	400,000
1874-75 - -	97,958 8 4	99,331 9 3	36,297 15 4	1,521 6 –	– –	– –	8,735 8 7	6,101 12 8	91,250	–	28,000	369,196 – 2	1874-75	380,000
1875-76 - -	95,458 8 2	73,770 15 2	72,282 16 1	2,150 9 8	– –	– –	10,077 19 8	5,394 9 6	91,250	64,000	28,000	442,384 18 3	1875-76	320,000
£.	582,507 8 10	1,187,641 8 9	274,862 5 8	13,086 9 –	303 14 4	13,689 – 3	47,937 10 –	21,381 17 1	273,750	64,000	56,000	2,535,159 13 11	–	2,490,000

	£. s. d.
Total Charge for Effective Services, 1870-71 to 1875-76 - - - - - - - - - - - -	2,535,159 13 11
Total Amount advanced by India in respect of Effective Services, 1870-71 to 1875-76 - - - -	2,490,000 – –
Balance, being Amount claimed by War Office in excess of Sum advanced by India - - - £.	45,159 13 11

Appendix, No. 13.

PAPER handed in by Mr. *Milton*.

The Secretary, War Office, to the Assistant Comptroller and Auditor General.

Sir, War Office, 16 April 1877.

WITH reference to Mr. Treherne's letter of the 6th January last, No. 50, I am directed by the Secretary of State for War to acquaint you, for the information of the Comptroller and Auditor General that the item for the erection of New Barracks at Glasgow, estimated at the time to cost 96,000 *l.*, was included under Part I., Vote 13, of the Army Estimates for the year 1870-71, without being specially submitted for the sanction of the Treasury. It is not the practice of this Department to obtain, in addition to the general approval given to the Estimates, the separate sanction of their Lordships for each of the works proposed to be executed, nor for any alteration it may be necessary to make in the total estimated cost of the work. Each service which is to amount to more than 1,000 *l.* is shown distinctly in the Estimates, and whenever an alteration is necessary in the original Estimate an explanation is given.

As regards the sums provided for the services included in Parts II. and III., I am directed to inform you that they are to a great extent based upon the average previous expenditure in the Districts and Commands, and that the details are not finally settled until after the Army Estimates are prepared.

As soon as these details are determined and the works are from time to time ordered to be executed, the fullest information can be given to the Comptroller and Auditor General; and an Abstract of the Services which were sanctioned for North Britain for 1875-76 is enclosed.

I have, &c.
(signed) *Fredk. Stanley.*

To the
Assistant Comptroller and Auditor General,
Exchequer and Audit Department,
Somerset House, W.C.

NORTH BRITAIN.

LIST of SUMS Authorised.—Vote 13.—1875-76.

LIST of ITEMS under PART II., Authorised for the Year 1875-76.

Name of Service.	Amount. £.	s.	d.
Edinburgh Castle.—Old Barracks.—Ceiling of schoolroom, remove, and provide ventilation.	50	12	8
Ditto - - Barrack Guard.—Enlarge prisoners' room	92	18	1
Ditto - - New Barracks.—Rookery: Officers' Quarters.—Provide sink at each end of gutter.	38	10	5
Leith Fort.—Relay manège drains - -	91	8	10
Piershill.—Provide skittle alley - -	153	5	10
Perth.—Provide Deane's cooking apparatus.	107	2	10
Ditto - Provide screens to urinals - -	8	1	7
Ayr.—Officers' Quarters.—Night W.C. -	45	17	10
Ditto, New Barracks.—Provide shutters, sea front.	106	12	4
Ditto, Barrack Sergeants' Quarters.—Porch, provide.	13	2	9
Hamilton.—Cavalry Barracks.—Provide fire plug.	37	1	9
Ditto - Improve latrines - - -	131	11	8
Paisley.—Hospital.—New latrines, provide	27	4	11
Ditto - Barrack Rooms.—Provide shelves	56	11	–
Ditto - - ditto - Ventilate -	130	8	3
Dunbar.—Hospital.—Lay on gas - -	30	7	11
Fort George.—Provide Warren's cooking apparatus.	245	6	10
Ditto - Provide railings outside ramparts.	32	–	4
Ditto - Provide skittle alley - -	155	16	4
District.—Provide material for latrines, Militia encampments.	574	8	4
Ditto - Provide gas fittings generally -	8	9	9
Fort George.—Officers' Quarters W.C., 2 Block.	167	16	11
Ditto - Hospital.—Ventilate - -	73	13	11
Dumbarton Castle.—Drainage - - -	139	8	9
Edinburgh Castle.—Re-appropriation of rooms for barrack stores.	10	13	5
Perth.—Victoria-street Barracks.—Provide ash-bin.	10	4	4

List of Items under Part II., Authorised for the Year 1875-6—*continue d*

Name of Service.	Amount. £.	s.	d.
Edinburgh Castle.—Boundary Stones, M.S. quarters, provide.	19	15	6
Dunbar.—Alterations to hospital - -	10	11	11
Ditto - Stove in No. 5 Officers' Quarters	6	10	7
Fort George.—Stove in tailors' shop - -	3	8	11
Ditto - Re-appropriation of ward for sergeants' quarters.	4	13	5
Ditto - Alterations to arm bands -	21	19	7
Ditto - Improvements to stables -	12	2	7
Dunbar.—Provide grating drain and door-scraper, and lay on water.	12	12	5
Fort George.—Regimental workshops, sky-lights.	10	7	9
Edinburgh.—Solicitor's charges: M.S.Quarters, land for.	22	7	8
Piershill.—Services at Militia encamping ground.	83	4	9
Ditto - Officers' cooking ranges - -	15	8	5
Fort George.—Provide stove in vestry -	4	16	2
Perth.—Victoria Street Barracks.—Alter rain-water pipe.	4	11	3
Edinburgh.—Mill Mount Barracks.—Provide door to porch.	2	19	9
Ayr.—Provide additional water supply in case of fire.	6	–	–
Edinburgh Castle.—Provide W.C. for Officers' Quarters.	11	9	10
Paisley.—Provide additional shelving, Quartermaster's store.	14	–	9
Edinburgh.—Provide W.C., Quartermaster's Quarters.	25	4	5
Dunbar.—Law charges for encroachment on Mr. Skinner's property.	8	12	–
Fort George.—Provide latrine and mortuary to hospital.	108	–	7
Piershill.—Reappropriation of barrack-room as linen store.	6	3	7
Total of Part II. - - £.	2,953	18	7

	£.
Voted - - - - - - - - - -	2,377
Expended - - - - - - - - - -	2,954
Excess - - - - - - - - - -	577

Which was reported to the Treasury, and received covering Sanction 19 August 1875, No. 12,842-75; 5 November 1875, No. 16,408-75; 7 February 1876, No. 1966-76; 18 May 1876, No. 8370-76.

List of Items under Part III., Authorised in the Year 1875-76.

Name of Service.	Amount. £.	s.	d.
Dunbar Castle.—Park Barracks.—Renew roof of porch.	27	19	4
Piershill.—Portion of boundary wall.—Renew	52	18	11
Ditto - Internal painting - - -	238	13	11
Edinburgh Castle.—Quartermaster's Quarters —Internal painting.	40	3	4
Ditto - - Officers' and Soldiers' Quarters. — External painting.	143	10	3
Ditto - - Field Officer's Quarters. —Renew flooring, &c.	49	5	9
Ditto - - Esplanade.—Paint railing	6	7	–
Leith Fort.—Officers' Quarters.—Internal painting.	92	1	7
Piershill Barracks.—North west Wing.—Renew treads of steps.	5	2	5
Ditto - - Hospital Yard.—Renew front gate.	9	6	4
Ditto - - Stables.—Renew plaster.	46	19	–
Greenlaw.—Military Prison.—Renew steps	3	19	–
Ditto - Water Supply.—Renew pipes	101	3	7
Perth.—Officers' Quarters.—Grates.—Renew	18	1	10
Ditto, Repair boundary wall - - -	49	3	2
Ditto, Renew hospital gate - - -	15	13	5
Ditto, Renew No. 2 wicket - - -	2	7	9
Ditto, East Wing.—Renew rebates of windows.	16	1	8
Ditto, Masonry.—Repair and point -	22	6	5
Athole Street: Officers' Quarters.—Internal painting.	101	3	4
Stirling Castle.—Parliament Buildings.—Renew floor.	37	12	8
Ditto - - East Gable.—Repair and point masonry.	10	4	2
Ditto - - Hospital.—Renew window blinds.	3	6	5
Ditto - - Hospital.—Renew sash frames.	14	10	5
Ditto - - No. 3 Ward.—Ceiling plaster.	11	4	10
Ditto - - No. 3 Ward.—Plaster wall in lieu of wainscoat.	3	6	10
Ditto - - Hospital. — External painting.	19	13	2
Ditto - - Water Supply.—Renew portion of main.	26	5	3

List of Items under Part III., Authorised in the Year 1875-76—*continued.*

Name of Service.	Amount.			Name of Service.	Amount.		
	£.	s.	d.		£.	s.	d.
Ayr.—Officers' Quarters.—Repair grates -	36	16	11	Dundee.—Repair masonry - - -	47	2	5
Ditto, Old Barracks.—North and south wings, renew sashes and frames -	89	6	10	Fort George.—Renew floors generally -	83	9	11
Ditto, Boundary South Side of Barracks.—Renew new fences.	37	4	3	Ditto - Soldiers' Barracks.—Renew sashes and frames.	27	7	11
Ditto, Coal Yard.—Renew gates - -	9	17	2	Ditto - Armourer's Shop, &c.—Renew roof.	99	5	10
Ditto, Main entrance gates.—Renew -	11	11	5				
Ditto, Control Stores.—Renew racks -	14	19	3				
Ditto, External painting - - -	103	2	8	District Generally.—Incidental repairs to barracks.	2,597	16	9
Ditto, Officers' Quarters and Canteen.—Internal painting.	85	13	7	Ditto - - Incidental repairs to hospital.	172	5	9
				Ditto - - Incidental repairs to rifle ranges.	39	16	10
Dumbarton.—No. 1 Officer's Kitchen.—Renew flooring.	7	6	10	Ditto - - Damages to barracks	125	15	11
Ditto - Upper Barracks, 3 and 4 rooms.—Renew sash frames.	7	3	2	Ditto - - Intermediate white-washing.	123	19	7
Ditto - Cookhouse.—Renew boilers -	22	12	7	Ditto - - Repairs to parades, &c.	140	8	–
Ditto - Hospital Kitchen.—Kitchener.—Renew.	32	2	10	Ditto - - ditto clocks -	12	7	–
				Ditto - - Incidental repairs to military prisons.	95	11	–
Glasgow.—Recruits' Barracks, A and B.—Passages, renew treads of stairs.	14	2	2	Ditto - - Incidental repairs to militia barracks.	91	14	9
Hamilton.—Serjeants' Room.—Renew range	3	13	11	Piershill Barracks.—Removal of rubbish from ditch.	5	15	–
Ditto - Canteen.—Beer-engine, renew	17	8	7	Ditto - - Renew fence of drill ground.	23	14	9
Ditto - Officers' Quarters.—Internal painting.	112	1	7				
Ditto - Militia Huts.—Re-lay pavement	27	3	5				
Ditto - Cookhouse.—Renew boilers -	64	7	11				
Ditto - Guard-room.—Sentry box, renew	7	12	9	Dunbar.—Officers' Mess.—Renew range and hot plate.	24	8	9
Ditto - Main Gateway.—Gates, renew	17	7	7				
				Ayr.—Renew cooking apparatus - -	40	–	–
Paisley.—Hospital and Canteen.—Internal painting.	38	–	–	Amounts underpaid on Items 80 and 88 of 1874-75.	3	12	1
Aberdeen.—Soldiers' rooms.—Renew floors	68	17	–				
Ditto - External painting - - -	91	10	3	Total of Part III. - - £	5,823	5	9

	£.
Voted - - - - - - - - - - -	6,519
Expended - - - - - - - - - -	5,824
Saving - - - - - - - - - -	695

I N D E X.

[*N.B.*—In this Index the *Figures* following the Names of the Witnesses, and those in the Analysis of Evidence of each Witness, refer to the Questions in the Evidence; the *Figures* following *App.* refer to the Pages in the Appendix; and the *Numerals* following *Rep.* to the Pages in the Report.]

A.

ADMIRALTY. See *Navy Accounts.*

Admiralty and India Office. Final settlement of the Accounts between the Admiralty and India Office relative to the China War, *Walker* 345.

Alston, Francis B. (Analysis of his Evidence.)—Several instances of officers' salaries being charged to the Foreign Office Vote, whilst their allowances are charged to the Diplomatic Vote, 71–73——Reference to certain extra allowances to members of the Foreign Office for special services as having been provided for in a supplementary estimate for Diplomatic Services, 75, 76——Sanction of the Treasury before it was decided what gratuity should be given to the British representative at the conference on the French Commercial Treaty; note attached to the account showing the total allowances, 77, 78. 85. 88.

Expenditure of 1,450 *l.* in producing the "Map of Europe by Treaty," the receipts from sales being collected by the Stationery Office, 79–84——Facility of showing in future by means of a note the gratuities or additions to salaries in the Foreign Office, 92, 93——Large excess of the estimate for telegrams in 1876–77, but not in 1875–76, 94–97.

Appropriation Accounts. Grounds for the recommendation that all final payments made for any service provided for by Parliament should be charged on the vote for that service, and shown on the Appropriation Account, *Rep.* iii, iv.

See also *Army Accounts,* II. *Deficits.*

ARMY ACCOUNTS:

I. *Audit:*

1. Steps being taken for an extended Audit of Army Accounts; limited examination hitherto by the Audit Office.
2. Question of a concurrent Audit in future as between the War Office and India Office.
3. Question of dispensing with a detailed Examination by the Audit Office of the Appropriation Account of Charges on behalf of India.

II. *Action, respectively, of the War Office and Treasury in respect of Expenditure by the former and Receipts by latter on account of India:*

1. Statement on the part of the War Office.
2. Statement on the part of the Treasury.
3. Views of the Audit Office.
4. Official Correspondence on the subject.
5. Conclusions of the Committee.

III. *Delay in furnishing the Appropriation Account of Charges defrayed on behalf of India.*

IV. *Degree of responsibility of the Accountant General of the Army in respect of the Expenditure comprised in the Appropriation Account of Charges on behalf of India.*

V. *Questions still in dispute between the War Office and India; delay in the adjustment of Accounts.*

VI. *Delay in the final closing of the Indian Contingent Account.*

VII. *Total War Office Claims against India for Effective Services.*

Report, 1877 —*continued.*

ARMY ACCOUNTS—continued.

VIII. *Outstanding Accounts of Expenditure in India.*

IX. *Expenditure under Royal Warrants:*

1. Practice of the War Office in this respect; latitude claimed by the Accountant General of the Army.
2. Functions of the Treasury and Audit Office in respect of Royal Warrants; check claimed by the latter.
3. Conclusion of the Committee adverse to the views of the War Office.

X. *Increase of Expenditure under some Heads of the Army Vote, so long as the total Vote is not exceeded.*

XI. *Delay in the Record of certain Expenditure.*

XII. *Question of a Codification of the Regulations as to Pay and Allowances.*

XIII. *Obstacle to specifying by note in each case the Allowances to Non-Commissioned Officers and Privates.*

XIV. *Army Works Vote.*

XV. *Unvoted Expenditure at Netley.*

XVI. *Receipts and Vouchers for Salaries, &c.*

I. *Audit:*

1. Steps being taken for an extended Audit of Army Accounts; limited examination hitherto by the Audit Office:

Progress being made in providing accommodation in Winchester House for the staff of examiners from the Audit Office, *Milton* 580. 583——Completion of the purchase of Winchester House, though the rooms are not yet ready for the Audit Office Examiners, *Welby* 583, 584——Further explanation on this point, *ib.* 798.

Full information and facilities supplied by witness to the staff of the Audit Office in their investigation of the War Office Accounts, *Milton* 722.

Necessarily limited chatacter of the independent Audit of the War Office Accounts; very small staff of examiners for the purpose, *Ryan* 817——Limited character of the certificate given by the Comptroller and Auditor General upon the Army Accounts, it being no part of his duty to verify the balances, *ib.* 875-877.

Great inconvenience hitherto through the necessity of conducting at Somerset House the extended audit of Army Accounts required under the Treasury Minute of 20th March 1876, *Rep.* xv——Smaller cost of the extended audit than was estimated last year, *ib.*——Convenience in applying the extended audit by locating the staff at Winchester House, *ib.*

Importance attached by the Committee to the audit of authority as the essential part of the new system, *Rep.* xv.

2. Question of a Concurrent Audit in future as between the War Office and India Office:

Obstacles to a concurrent audit as between the India Office and War Office; advantage, however, of one final concurrent audit, to which the Audit Office should be a party, *Cocks* 928——Non-objection on the part of the Audit Office to a concurrent audit between the India Office and the War Office, *Ryan* 929——Approval of a concurrent audit, on behalf of India, of War Office charges; that is, if a basis of charge be first fixed upon, *Milton* 925-927. 930——Opinion favourable to the suggestion for a concurrent audit as between the India Office and War Office, *Welby* 937.

Reference by the Committee to the suggestion for a concurrent audit as being well worthy of consideration, *Rep.* xix.

3. Question of dispensing with a detailed Examination by the Audit Office of the Appropriation Account of Charges on behalf of India:

Suggestion that there might be a simultaneous audit by the India Office and the Audit Office of the items composing the sum of 500,000 *l.* (Army Services) in respect of which the Comptroller and Auditor General cannot now give any certificate, *Cocks* 820–822——Statement as to the India Office not having the legal power to dispense with its own examination and to accept instead a detailed examination by the Audit Office, *ib.* 823, 824. 827.

Unnecessary expense if the Audit Office were to examine in detail, after a detailed examination by the India Office, the various items in the Appropriation Account of charges in respect of India, *Ryan* 823. 828. 830.

Objection to the claims in dispute between the India Office and War Office being audited by the former department, by whom the claims are made, *Milton* 825, 826, 830.

Approval

Report, 1877—*continued.*

ARMY ACCOUNTS—continued.

I. *Audit*—continued.

3. Question of dispensing with a detailed Examination, &c.—*continued.*

Approval of a detailed audit by the Audit Office being dispensed with as regards certain sums for unvoted services, *Milton* 830, 831.

Concurrence in the view that a detailed examination by the Audit Office is not necessary in addition to the detailed examination by the India Office, *Cocks* 829; *Welby* 831.

Exceedingly numerous vouchers involved; approval of dispensing with the detailed examination by the Audit Office, *Rep.* xvii.

II. *Action, respectively, of the War Office and Treasury in respect of Expenditure by the former and Receipts by the latter on account of India:*

1. Statement on the part of the War Office:

Inaccuracy of the assumption that up to 1861 all payments made by India on account of services rendered by the War Department for India were dealt with as appropriations in aid, *Milton* 832-836——Reference to an Act of Parliament for the Government of India in 1793 as authorising the arrangement pursued in subsequent years, and followed by witness for the last seven years, in regard to the sum of 100,000 *l.* a-year not voted by Parliament, *ib.* 832——Statement as to the sums in question not having passed into the Exchequer previously to 1861; different practice since that year in these sums having been voted by Parliament and appearing in the Army Estimates, *ib.* 833-838. 840-844.

Examination in detail in support of the conclusion that it was or should have been perfectly understood by the Treasury in 1869-70, and subsequently that the War Office intended to exclude from the Army Votes the pay of colonels of regiments serving in India as well as certain other charges; documentary evidence to the foregoing effect, *Milton* 845-848. 850-862.

Comments upon a statement that the War Office did not at any time between 1869-70, and November 1875, call the attention of the Treasury to the large sum charged to the War Office balances on account of Indian payments, *Milton* 863——Justification of the action of the War Office in making advances for unvoted services out of the general balances available; check by means of the certificate of the Comptroller and Auditor General, *ib.* 863-869——Grounds for the conclusion of the War Office that the Treasury were holding the payments from India for the use of the War Office instead of paying them to the Exchequer, *ib.* 869. 881-883.

Evidence to the effect that the irregularities in question arose through the Treasury agreeing with the India Office to receive certain sums for services without consultation with the War Office as to the sufficiency of the amount, *Milton* 882. 887.

Witness further submits that the War Office was perfectly justified in making advances for unvoted services out of the general balances, including the amounts voted by Parliament as well as the receipts from other sources, *Milton* 911-913. 917-922——Claim of the War Office to apply extra receipts in payment of any charges which properly come against the Department, *ib.* 917-922.

2. Statement on the part of the Treasury:

Statement as to certain sums dealt with between the War Office and India Office not having been voted by Parliament prior to 1861 whilst since that year they have been voted, *Welby* 839——Denial that the Treasury was informed by the War Office, or had good reason to conclude that it was intended to exclude from the Army Estimates the pay of colonels of regiments serving in India, and to settle such payment as a personal account with the India Office, *ib.* 849. 862——It is not the duty of the Treasury to examine the balance sheet attached to the Army Appropriation Account, *ib.* 874——Instances of the Treasury holding money for other departments without paying it over to the Exchequer; it is not, however, paid over to the departments for expenses incurred by them, *ib.* 884-886.

3. Views of the Audit Office:

Question as to there having been irregularity on the part of the Treasury in treating as revenue, and paying to the Exchequer the amounts received from India in respect of War Office claims; earlier application by the War Office to the Treasury if the former had known of the diversion of the money, *Ryan* 878-880.

4. Official Correspondence on the subject:

Correspondence between the War Office and Treasury in 1869, 1872, and 1873, relative to the charges for recruits, &c. (India), and the adjustment thereof, *App.* 106-108.

Official papers and correspondence between the War Office, Treasury, and India Office, in 1875-77, respecting advances by the former department, on account of the latter for regimental and other services, *App.* 108-113.

Report, 1877—*continued.*

ARMY ACCOUNTS—continued.

II. *Action, respectively, of the War Office and Treasury, &c.*—continued.

5. Conclusions of the Committee:

Summary of the circumstances under which application was made to Parliament for a grant of 500,000 *l.* in part repayment of charges incurred by the War Office on behalf of India, and advanced out of army funds during the last six financial years, *Rep.* xvii, xviii——Special reference to the change made in the Army Estimates for 1870–71, by which the charges detailed in this account were excluded from the Army Votes, *ib.* xviii ——Misunderstanding in the matter between the Treasury and War Office; the sums paid by the Indian Government having been payments on account, without any final adjustment having been effected since 1870–71, *ib.*

Comment upon the belief entertained by the Accountant General of the Army, that the Treasury was placing to a suspense account the sums received from the Indian Government in respect of non-voted services, in order that the advances might be repaid upon a final adjustment, *Rep.* xviii.

Causes of the irregularity in question, whereby a liability exceeding 500,000 *l.* has accrued without the knowledge of Parliament, *Rep.* xviii——Serious discredit cast upon the system of accounting under which the irregularity has occurred; entire *bona fides*, however, of those responsible, *ib.*

Earlier discovery of the irregularities, if the War Office balances had been tested by an external authority, *Rep.* xix——Expediency of its being explicitly made known to Parliament when such important financial modifications as those made by the War Office in existing arrangements are carried into effect by any department, *ib.*

III. *Delay in furnishing the Appropriation Account of Charges defrayed on behalf of India:*

Delay in receiving vouchers from the War Office, which prevented the Treasury from supplying the Audit Office till the 8th January 1877 with the Appropriation Account of charges defrayed on account of India, *Welby* 815.

Statement as to the unavoidable delay on the part of the War Office in furnishing the Treasury with the Appropriation Account of charges defrayed on account of India down to 31st March 1876, *Milton* 816. 818.

Reference by the Committee to the unavoidable character of the delay in connection with the account of charges defrayed by the War Office on behalf of India, *Rep.* xvii.

IV. *Degree of responsibility of the Accountant General of the Army in respect of the Expenditure comprised in the Appropriation Account of Charges on behalf of India:*

Claim on the part of witness to relief from all responsibility for the disposal of the public money embraced in the Appropriation Account of Charges on behalf of India; that is, under the full and final certificate of the Audit Office, *Milton* 816, 817—— Explanation that every item in this account has had the certificate and approval of the Comptroller and Auditor General, *ib.* 816. 876, 877.

Denial that the Audit Office examination of the items comprised in the War Office Appropriation Account of charges in respect of India relieves the Accountant of anything wrong in the expenditure, *Ryan* 817.

V. *Questions still in dispute between the War Office and India; delay in the adjustment of Accounts:*

Very large and important matters in dispute between the War Office and India Office as regards voted services, but not as regards unvoted services; difficulty especially as to two leading questions, *Milton* 870–873.

Belief that there are only two leading questions which impose serious obstacles to a settlement of the claims in dispute between the India Office and War Office, *Cocks* 872, 873.

Explanation showing that instead of any delay in presenting the War Office claims to the India Office after their basis had been officially sanctioned, there was great promptitude on the part of the War Office in the matter, *Milton* 888——Delay in receiving the Treasury sanction to the basis of the claims, *ib.* 888, 889.

Explanation in reference to some delay on the part of the Treasury in 1872–73, in sanctioning the basis for the War Office claims on the India Office, *Welby* 889.

Evidence purporting to refute a charge of laxity and delay against the India Office in the steps taken for obtaining a final settlement of the claims in dispute with the War Office, *Cocks* 890–892——Circumstance of the War Office not having replied to a letter from the India Office in January last, on the subject of the claims, *ib.* 890.

Explanation that the recruit question is still unsettled for several years past, and that the basis of adjustment of the claims on this score, as settled by Mr. Bouverie's Committee, only held good up to 31st March 1877, *Cocks* 891–900.

Reference

Report, 1877—*continued.*

ARMY ACCOUNTS—continued.

V. *Questions still in dispute between the War Office and India, &c.*—continued.

Reference by the War Office to the Treasury, of a letter from the India Office, in January 1877, with respect to the claims in question, *Milton* 892. 905-907 ——Binding effect of the Report of Mr. Bouverie's Committee as regards the basis of adjustment of the recruit claims from 1st April 1873 to 31st March 1877, *ib.* 892. 894-896. 900-902. 908, 909——Contention still arising upon the recruit question up to 31st March 1873; particulars hereon, *ib.* 894. 900. 903.

Explanation as to some of the objections made by the India Office to the claims of the War Office in respect of the charge for recruits, *Minifie* 903——Belief that, as regards the accounts of 1871-72, the recruit question is the only question of principle at issue between the two departments, *ib.* 904, 905.

Question at issue between the War Office and India Office in regard to the distribution of the charges of the men at Netley, *Milton* 905.

Limitation of the objections hitherto raised by the India Office to the years 1870-71 and 1871-72, *Minifie* 909.

Explanation of the term "actual charges" as distinct from commuted payment by India in the case of recruits, *Ryan* 931——Impracticability of settling the recruit question upon the basis of actual charges, *Milton* 932.

Delay in the adjustment of accounts between the War Office and India Office owing to the attempt to obtain complete accuracy in the mode of apportionment of the charges, *Rep.* xviii——Regret expressed by the Committee that there are still questions of principle pending as to the accounts for the years 1870-71 to 1872-73, *ib.*——Regret also that notice has been given by the India Office to terminate the arrangement effected by the Committee presided over by Mr. Bouverie, *ib.*

Irregularities consequent upon the delay in the final adjustment of accounts; conclusion of the Committee that it is absolutely necessary that an early agreement should be come to, both as to the accounts for past years and also as to the basis of charge for the future, *Rep.* xix——Reference to the causes of the delay in sending in various accounts to the India Office, *ib.*

VI. *Delay in the final Closing of the Indian Contingent Account:*

Necessity of keeping open the Indian Contingent Account at the War Office pending its final examination and audit at the India Office, the account for 1870-71 not having been yet audited, *Milton* 578, 579.

Explanation on the part of the India Office that the delay in finally closing the Indian Contingent Account (Army) is due to questions arising out of the Effective Account; prospect of the former account being soon settled, *Minifie* 806-808.

Reference by the Committee to the cause of the delay in closing the Indian Contingent Account, *Rep.* xiv.

VII. *Total War Office Claims against India for Effective Services;*

Comment upon the large omissions from a statement by the Comptroller and Auditor General of the home charges between the India Office and War Office; extensive omission in respect of effectives, *Milton* 852——Explanation as to the cause of a discrepancy of 399*l.* 4*s.* 8*d.* between the amount claimed from India for effective services and the sum charged in the Appropriation Account, *ib.* 935, 936.

Account submitted showing that down to 31st March 1876 the total War Office charge against India for effective services is 2,535,159*l.*, and that the total advance by India in respect thereof is 2,490,000*l.*, *Ryan* 933, 934; *App.* 114.

VIII. *Outstanding Accounts of Expenditure in India:*

Considerable delay before some of the Indian accounts are received at the War Office, the latter having no control in the matter, *Milton* 770-773.

Explanation as to the long interval before the accounts of certain expenditure incurred in India are rendered to, or received at the War Office; efforts made to render these accounts as promptly as possible, *Minifie* 809-814.

Expediency of diminishing the amount of Indian accounts outstanding, *Rep.* xiv.

IX. *Expenditure under Royal Warrants:*

1. Practice of the War Office in this respect; Latitude claimed by the Accountant General of the Army:

Examination in explanation and defence of the practice of the War Office in the alteration of Royal Warrants, with the consent of the Treasury, and in giving increased rates of pay pending the issue of amended warrants, Treasury sanction being first obtained

ARMY ACCOUNTS—continued.

IX. *Expenditure under Royal Warrants*—continued.

1. Practice of the War Office in this respect, &c.—*continued.*

obtained, *Milton* 615–627——Retrospective effect of many warrants, *ib.* 615–619. 623, 624——Very large portion of the War Office expenditure for which there is no Royal Warrant, *ib.* 620.

Concurrence in the view of the Audit Office that a Royal Warrant can only be cancelled or amended by a Royal Warrant, *Milton* 621. 647. 651——Circumstance of an extra payment of 50 *l.* a year having been made to the Professor of Tactics at the Royal Military College since 1872 by Treasury authority without an amending warrant having been obtained, *ib.* 632-637——Necessity of Treasury sanction before any increase of expenditure under an army circular issued before a new warrant is obtained, *ib.* 646–651.

Constant payment of large sums by the War Office, with Treasury sanction, in excess of the rates authorised by Royal Warrant, *Milton* 652. 703——Argument that the Comptroller and Auditor General has only to see that expenditure is either voted by Parliament, or sanctioned by the Treasury, and that he has nothing to do with Royal Warrants, *ib.* 652-664——Treasury authority furnished as a rule to the Audit Office in respect of all rates and allowances, *ib.* 656-661. 665-669.

Explanation in regard to a certain Royal Warrant of 18 February 1874 not having been first submitted to the Treasury; no increase of pay was involved in this case, *Milton* 670, 671——Admission as to several small payments for wages, &c. being made without Treasury sanction; insignificant amount of these as compared with the immense total of the army account, *ib.* 673–679——Exception taken to the interpretation placed by the Audit Office upon certain warrants as to the allowances for home and field batteries, &c., *ib.* 734-740.

Witness further contends that the Secretary of State for War is the sole interpreter of his own warrants, and that the Comptroller and Auditor General has no right to question such interpretation, *Milton* 723-727——Admission as to the entire authority of the Public Accounts Committee to report to the House in reference to the interpretation of warrants as well as to all other matters brought before them, *ib.* 725-729.

2. Functions of the Treasury and Audit Office in respect of Royal Warrants; check claimed by the latter:

Function of the War Office to obtain Royal Warrants giving effect to increased rates of pay sanctioned by the Treasury, *Welby* 628, 629——Grounds for the conclusion that the Treasury has no right to prescribe to the War Office what steps it should take in order to embody changes made with the sanction of the former in Royal Warrants, *ib.* 799, 800.

Views of the Audit Office as to the necessity of an amending Royal Warrant before any change is made by the War Office in the pay under previous warrant, *Ryan* 631. 643, 644——Grounds for dissenting from the interpretation put by the War Office upon a Royal Warrant of 1870 as regards the application of a sum of 21,500 *l.* set aside annually for distinguished services, *ib.* 710 712. 715, 716.

Great diminution of the usefulness of the Comptroller and Auditor General if debarred from putting his own interpretation upon Royal Warrants, and all other documents which come before him; appeal to the present Committee and to the House from such interpretation, *Ryan* 721, 722.

3. Conclusion of the Committee adverse to the views of the War Office:

Dissent of the Committee from the opinion of the Accountant General of the Army that the Comptroller and Auditor General has nothing to do with Royal Warrants, and that his duty is limited to seeing that the expenditure is authorised by Parliament, or by the Treasury, *Rep.* xv——Conclusion that any payment at variance with a Royal Warrant should only be made under circumstances of emergency, *ib.* xvi.

X. *Increase of Expenditure under some Heads of the Army Vote, so long as the Total Vote is not exceeded:*

Power of the Treasury to sanction increase of expenditure under any head of the Army Vote so long as there is no excess upon the whole Vote, *Welby* 630.

Justification of the power of the War Office, with the consent of the Treasury, in altering or increasing the payments under the Estimates so long as the total Vote is not exceeded, *Milton* 638, 639.

ARMY ACCOUNTS—continued.

XI. *Delay in the record of certain Expenditure:*

Statement showing that there is a necessary lapse of about six months before War Office imprest expenditure can be recorded in the books of the department, *Milton* 557–570——Large portion of the expenditure, as made direct from the Office, which is put on record from day to day, *ib.* 557, 558——Anxiety of the department to keep the record as close up as possible; reference hereon to the great pressure of work in proportion to the amount of staff, *ib.* 557. 566, 567.

Prompt record of imprest expenditure in the case of the Civil Services, as compared with the delay of six months in the case of the War Office, *Ryan* 568.

Conclusion of the Committee that steps should be taken for obviating the undue delay in recording expenditure in the books of the department, *Rep.* xiv.

XII. *Question of a Codification of the Regulations as to Pay and Allowances:*

Evidence as to the great labour involved in the preparation in the War Office of a codified statement of the rates of all regimental, staff, and departmental allowances, showing the Warrants under which they are paid; obstacle to furnishing any such statement to the Audit Office, *Milton* 585–610.

Great labour in the preparation by the Audit Office from War Office Warrants, and other materials, of a codified statement of all allowances at home and foreign stations; expediency of every facility being given in the matter by the War Office, *Ryan* 610–614——Expediency of a codification from time to time of the regulations as to the pay and allowances of soldiers, *Welby* 800.

Conclusion of the Committee as to the expediency of the War Office at once undertaking a complete codification of authorities for expenditure; want of funds for the purpose, *Rep.* xv.

XIII. *Obstacle to specifying by Note in each case the Allowances to Non-Commissioned Officers and Privates:*

Great labour and enormous mass of printed matter if details were specified in all cases of non-commissioned officers and privates receiving extra allowances or payment from different sources; reference especially to the case of warders at the Tower, *Milton* 680, 681. 687——Understanding as to the Treasury Minute of 15th September 1876 having referred only to "officers" in requiring that emoluments from more than one source should be set forth, *ib.* 680, 681. 683, 684. 687.

Concurrence of the Committee in the view that certain allowances to whole classes of non-commissioned officers and privates need not be noted in each case, *Rep.* xvi.

XIV. *Army Works Vote:*

Objection to any saving under the Army Works Vote, which is merely deferred expenditure, being treated as such, and returned to the Exchequer, instead of being available to meet deficiencies under the same Vote, *Welby* 747–751.

Letter recently sent from the Army Works Department to the Audit Office, conveying information on certain points questioned by the latter, *Milton* 801. 803.

List of items authorised for barracks and other works in North Britain for the year 1875–76, *App.* 115–117.

Importance attached by the Committee to the distinction drawn by the Audit Office between savings on the Works Vote and those accruing on the other Army Votes, *Rep.* xvii.

XV. *Unvoted Expenditure at Netley:*

Instances of Treasury sanction to expenditure by the War Office which had not been voted; reference especially to some charges in respect of Netley, *Milton* 913–915.

Denial that the Treasury sanction was ever intended to be given to certain expenditure at Netley not voted by Parliament, *Welby* 915, 916.

XVI. *Receipts and Vouchers for Salaries, &c.:*

Amended instructions issued as regards the giving of stamped receipts by salaried officers of the War Department, *Milton and Welby*, 730.

Custody by the Paymaster General of the cheques which require merely the endorsement of the recipient, *Milton* 731–733.

See also *Chelsea Hospital.* *Glasgow Barracks.* *Tower of London.*

Report, 1877—*continued.*

Ashantee Expedition. Small charges still coming in from time to time in respect of the vote of credit for the Ashantee Expedition; belief there is no charge of any magnitude now outstanding, *Welby* 356, 357——Alternative means by which provision may be made as to further charges, *ib.* 356. 360——Surplus surrendered in respect of this vote two years ago, and again last year, *ib.* 359.

Audit (*Army and Navy Accounts*). See *Army Accounts*, I. *Navy Accounts.*

B.

Balances. Grounds for the conclusion of the Committee that it is essential to make provision for testing the balances of the War Office and other departments, *Rep.* xix.

Barracks, &c. (*Army Votes*). See *Army Accounts*, XIV. *Glasgow Barracks.*

Blackwood, Stevenson A. (Analysis of his Evidence.)—Explanation on the subject of certain Post Office appointments, the salaries of which, previously disallowed, will in future be paid under recent Treasury warrants, 391. 393——Necessity of Treasury authority for all rates of salary and for allowances in the case of the London district and provincial postmasters, 397–399. 401, 402.

Statement on the subject of promotions or transfers in the Post Office without a fresh certificate from the Civil Service Commissioners, 403–405. 410–420——Treasury decision not yet received by the Post Office upon the subject of payments for extra work, 421–424.

Great expenditure involved in further precautions for guarding against fraud or default, in respect of the Post Office Savings Bank Accounts; statement hereon as to the comparatively small amount of loss, 426–431. 433——Explanation in reference to the delay in bringing the void money orders to account; this delay is in process of diminution, 434–437.

Information relative to the excess of expenditure over receipts in the management of the Government Annuities and Insurances; attention of the Treasury called to this matter, 438. 440–446——Investigation being made with a view to arbitration in respect of the sum said to be due by the Royal Mail Steam Packet Company to the Post Office, 449.

Evidence as to the employment of an unestablished staff of linemen, &c., in the Telegraph Service, and as to the causes of the delay in the settlement of the question; the proposals of the Postmaster General on the subject will be submitted to the Treasury in a few days, 450–460——Satisfaction expected to be given to the Audit Office in the mode of classifying certain telegraph charges now placed under the head of stores, 461, 462——Information recently supplied by the Post Office relative to certain payments to railway companies; correspondence at present with the Treasury on this subject, 464–466.

Settlement in 1876 of the question as to the apportionment of charges to be paid for sites and buildings by the Post Office and Telegraph Service respectively; method of charge to be pursued in future, 467. 481——Explanation that this adjustment will only apply to past charges so far as the accounts are open, 468, 469. 480, 481——Facility of readjustment as regards the profit and loss account of the Telegraph Service, 484.

Explanation of the delay in submitting for Treasury sanction the agreements between the Post Office and the Greenock and Ayrshire, and Leven and East of Fife Railways; there is no further payment to be made to these companies, 526–529——Intention to charge against extensions a sum of 312 *l.* –*s.* 4 *d.* overcharged on Telegraph Capital Account for the purchase of private undertakings, 532–536——Reasons submitted on the part of the Post Office for charging to Capital Account in 1876–77 an expenditure of 6,713 *l.* 12 *s.* 6 *d.* for extensions, not charged in 1875–76; 537–540. 543–545.

Accounts still open with nine or ten railway companies, the total amount claimed by them being 1,646,538 *l.*; 549–551——Good prospect of all these claims being settled in the year 1877–78; necessity of arbitration in some cases, 552–556.

Board of Trade. Steps being taken in order to obtain the necessary certificates of qualification from the Civil Service Commissioners for certain officers in the survey branch of the Board of Trade, *Hamilton* 112——Sanction of the Treasury subsequently obtained for remuneration for extra services of certain salaried officers, *ib.* 113.

Legal opinion taken by the Board of Trade to the effect that the department had exceeded its powers in taking contributions from seamen as entitling them to pensions; stop since put to the practice, the contributions having been returned, *Hamilton* 361–363.

Treasury instructions to the Board of Trade in September 1876 in reference to certain recommendations by the Committee of last Session, *App.* 89.

Steps being taken to obtain certificates of qualification for certain officers from the Civil Service Commissioners, *Rep.* iv——Treasury sanction given for remuneration for certain extra services, *ib.*——Deficit of 7,751 *l.* 16 *s.* 11 *d.* voted, *ib.*

British

Report, 1877—*continued.*

British Museum. Admission as to the Audit Office having been in error in reference to the expenditure of the British Museum at the Galichon sale; denial that any charge was made or implied against the Museum authorities, *Ryan* 259. 261.

Letter from Mr. Winter Jones, dated 26th February 1877, explaining that the Audit Office is in error in reference to the expenditure at the Galichon sale, *App.* 83, 84.

Communication from the Audit Office, admitting error in reference to the payments at the Galichon sale, and explaining that it was never intended to imply any misapplication of the public moneys, *App.* 84.

Button, Charles. Special examination as to qualification in the case of Mr. Charles Button, employed in the Principal Registry at Westminster, *Welby* 142——Mr. Button has obtained a certificate of qualification from the Civil Service Commissioners, *Ryan* 143.

C.

Cavalry Depôt. Treasury sanction obtained for the pay of the superintendent of the riding establishment at the Cavalry Depôt, *Milton* 645.

Chancery Pay Office (Ireland). Comment upon the effect of a postponed payment of salaries due to bank clerks employed at the Chancery Pay Office (Ireland), *Ryan* 135, 136.

Chelsea Hospital. Explanation as to the extent to which the Chelsea Hospital Accounts have hitherto been examined; complete audit provided under the Act of last year, *Milton* 571–577.

Reference by the Committee to the arrangement by which the Chelsea Hospital Account will in future be subjected to a detailed examination and audit by the Comptroller and Auditor General, *Rep.* xiv.

China War. Final settlement of the Admiralty Accounts with the India Office relative to the China War, *Walker* 345.

Civil Contingencies Fund. Result of the legal proceedings taken by the Treasury to recover outstanding claims against certain boroughs, *Welby* 495, 496.

Coal Commission. Explanation of the delay in connection with the payment of a claim by Sir George Elliot in respect of expenditure incurred in 1867 and 1868 on account of the Coal Commission; difficulty as to vouchers in this case, *Welby* 365–371.

Cocks, Walter Carew. (Analysis of his Evidence.)—Is Auditor of the Home Accounts of the Government of India, 819——Suggestion that there might be a simultaneous audit by the India Office and the Audit Office of the items composing the sum of 500,000 *l.* (Army Services) in respect of which the Comptroller and Auditor General cannot now give any certificate, 820–822——Statement as to the India Office not having the legal power to dispense with its own examination, and to accept instead a detailed examination by the Audit Office, 823, 824. 827.

Concurrence in the view that a detailed examination by the Audit Office is not necessary in addition to the detailed examination in the India Office, 829——Belief that there are only two leading questions which impose serious obstacles to a settlement of the claims in dispute between the India Office and War Office, 872, 873.

Evidence purporting to refute a charge of laxity and delay against the India Office in the steps taken for obtaining a final settlement of the claims in dispute with the War Office, 890–892——Circumstance of the War Office not having replied to a letter from the India Office in January last on the subject of the claims, 890——Explanation that the recruit question is still unsettled for several years, and that the basis of adjustment of the claims on this score, as settled by Mr. Bouverie's Committee, only held good up to 31st March 1877; 891–900.

Obstacles to a concurrent audit as between the India Office and War Office; advantage however of one final concurrent audit to which the Audit Office should be a party, 928.

Colonial Expenditure (Grants in Aid). Obstacle to estimating the extra receipts or repayments in respect of grants in aid to certain colonies, *Welby* 269, 270.

Compassionate Allowances. Treasury directions in September 1876 with a view to Compassionate Allowances being separately shown under the Superannuation Estimate, *App.* 91.

Report, 1877—*continued.*

Constabulary, Ireland. View of the Audit Office as to the expediency of certain charges for the Irish constabulary being defrayable out of Army Votes, *Ryan* 216, 217——Decision of the Treasury to the foregoing effect, *Welby* 218——Steps being taken by the Treasury for dealing with a sum of 1,500*l.* due from the Receiver of Constabulary, *ib.* 523.

Letter from the Inspector General of the Irish constabulary submitting explanations relative to the difference between the estimated and realised amount of extra receipts, *App.* 85.

Convict Service. Doubt as to the date when a Supplementary Vote of 800*l.* was taken for the Convict Service for 1875–76; that is, in reference to the omission from the Vote of any provision for additional staff at Wormwood Scrubbs and Borstal Prisons, *Du Cane* 171–174.

Explanation relative to the constitution and application of the Fine Fund (Convict Establishments), witness contending that the fines paid by offending warders should be retained and expended for the benefit of the warders generally, and objecting to their being paid to the Exchequer as extra receipts, *Du Cane* 175–177. 183–185. 188–190. 193, 194.

Concurrence of the Treasury with the Home Office (Convict Department) in approval of the course adopted in dealing with fines paid by prison warders instead of paying them to the Exchequer as extra receipts, *Welby* 178–182. 186, 187. 193.

Grounds for the objection made by the Audit Office to the practice in dealing with fines paid by prison warders (Convict Service), witness contending that they should go into the Exchequer as extra receipts, *Ryan* 191, 192.

Numerous articles manufactured in the prisons, from which a considerable profit is derived, *Du Cane* 195, 196——Admission that certain objections raised by the Audit Office on minor points in the Convict Service Account are well founded, *ib.* 197–201.——Reference to the Supplementary Estimate for 800*l.* as making up from 18,500*l.* to 19,300*l.* the amount voted for certain items of expenditure, *ib.* 202–204.

Recommendation by the Committee that the estimate for this service should be prepared in the same form as in the Army Estimates, *Rep.* vi.

County Court Buildings. Explanation that the large increase of extra receipts paid over to the Exchequer in respect of County Court Buildings was owing to a certain court-house having been taken by the North Eastern Railway Company, *Mason* 1–4.

Instruction by the Treasury in September 1876 for extending the title of the Sub-head for "New Works and Additions," so as to include sites, *App.* 89.

County Court Registrars. Large increase under the head of Salaries of the County Court Registrars owing to the increased amount of work, *Nicol* 140, 141.

See also *Whitchurch County Court.*

Cowes (Trinity Pier). Decision of the Treasury as to the arrangement in future for charging the cost of maintaining the required depth of water off the Trinity Pier at Cowes, *Welby* 316, 317.

Criminal Prosecutions, &c. Statement as to witness' department not auditing certain accounts already audited by the examiners of Criminal Law Accounts, *Ryan* 130–134.

Customs Department. Facility on the part of the Customs in complying with the terms of the Treasury Minute as to the date of recording payments made by one department for another, *Weir* 383–385——Very large sums collected by the Customs for the Inland Revenue, much work being done and many payments made for other departments also, *ib.* 387–389——Receipt of 15,678*l.* by the Customs for marine work done for the Board of Trade; this is paid out of the Mercantile Marine Fund, *ib.* 389, 390.

D.

Deficits (Excess of Expenditure). View of the Treasury as to the expediency of any excess of expenditure being shown as an excess upon the Vote instead of being met out of the Civil Contingencies Fund, *Welby* 32–34——Suggestion that excess of expenditure might still be shown upon the account in which it occurred, although provided out of the Civil Contingencies Fund, *Ryan* 36, 37.

Necessity of the subsequent sanction of Parliament when the surplus on one Vote has been transferred to meet the deficiency on another, *Welby* 752.

Statement that the excesses on the Votes for the year ended 31st March 1876 were not voted until the Committee had examined the accounts, and that the amounts of the several deficits voted are in accordance with the views of the Committee, *Rep.* iii.

Satisfaction

Report, 1877—*continued.*

Deficits (*Excess of Expenditure*)—continued.

Satisfaction expressed by the Committee with the general working of the system established by the Exchequer and Audit Act as regards deficits, *Rep.* viii——Importance of the attention of Parliament being specially directed to all cases in which an excess of expenditure has been incurred beyond that sanctioned by Parliament, *ib.* viii, ix.

Expediency of excesses being reported upon by the Public Accounts Committee before they are voted in Committee of Supply, in order that attention may be called to any excess involving a question of principle, and that such excess may, if desirable, be put by itself in Committee of Supply, *Rep.* ix.

Deputy Quartermaster General. Explanation in reply to the exception taken by the Audit Office as regards the pay of 1,200 *l.* instead of 1,000 *l.* a year to a deputy quartermaster general; Royal Warrant since obtained in February 1877 authorising this payment, *Milton* 640, 641——Irregularity amended by the War Office in the foregoing matter, *Ryan* 642.

Disallowances (*Public Accounts Committee*). View of the Audit Office, as expressed in letter of 24th March 1877, that a disallowance confirmed by the Public Accounts Committee can only be removed by the action of Parliament, *App.* 103.

Principle maintained by the Treasury that any sum disallowed by the Committee must be actually repaid to the Vote or fund from which the disallowed expenditure was originally defrayed, *App.* 103.

Importance of maintaining the principle that disallowances recommended by the Public Accounts Committee can only be removed by the action of Parliament, *Rep.* xii.

Du Cane, Lieutenant Colonel E. F., R.E., C.B. (Analysis of his Evidence.)—Doubt as to the date when a Supplementary Vote of 800 *l.* was taken for the Convict Service for 1875-76; that is, in reference to the omission from the Vote of any provision for additional staff at Wormwood Scrubbs and Borstal Prisons, 171–174.

Explanation relative to the constitution and application of the Fine Fund (Convict Establishments), witness contending that the fines paid by offending warders should be retained and expended for the benefit of the warders generally, and objecting to their being paid to the Exchequer as extra receipts, 175–177. 183–185. 188–190. 193, 194.

Numerous things manufactured in the prisons, from which a considerable profit is derived, 195, 196——Admission that certain objections raised by the Audit Office on minor points in the Convict Service Account are well founded, 197-201——Reference to the Supplementary Estimate for 800 *l.* as making up from 18,500 *l.* to 19,300 *l.*, the amount voted for certain items of expenditure, 202–204.

Dublin Metropolitan Police. Satisfactory explanation received as to the discrepancy between the estimated and actual amounts of extra receipts in the case of the Dublin Metropolitan Police, *Ryan* 213–215.

Letter from Colonel Lake, Commissioner of Dublin Metropolitan Police, dated 23rd February 1877, submitting explanations with reference to the excess of extra receipts, *App.* 85.

E.

Education (*England and Wales*). Exception taken to the opinion of the Audit Office that a gratuity of 500 *l.* a year paid to the Secretary of the Education Department for services rendered to the Science and Art Department, should have been charged to the Vote for the latter, *Welby* 227.

Exception taken to the refusal of Treasury sanction as regards a payment of one guinea to an inspector of schools in respect of an incomplete examination, *Sir F. Sandford* 229——Treasury sanction obtained for the new arrangement as to grants to uninspected schools, *ib.* 230.

More detailed audit of the accounts of the Education Department, as soon as the required accommodation for the examiners is provided by the Treasury, *S. F. Sandford* 230–233. 235——Prospect of settlement of the question of an extended credit of the accounts of the Education Department, *Welby* 234. 236.

Treasury Minute in September 1876 giving effect to the recommendations of the Committee of last Session relative to payments to uninspected schools, *App.* 90.

Letter from Sir F. Sandford, dated 17th March 1876, with reference to the detailed audit proposed to be applied to the accounts of the Education Department, *App.* 95-97.

Satisfaction expressed by the Committee with the proposal made by the Comptroller and Auditor General, and accepted by the Treasury, for a local examination of the

Report, 1877—*continued.*

Education (*England and Wales*)—continued.

accounts, *Rep.* vii——Expediency of arrangements being made for such examination without further delay, *ib.*

Surplus of 15,954 *l.* 4 *s.* 1 *d.* to be surrendered in respect of the Education Vote, *Rep.* vii.

Education (*Ireland*). Comment upon the transposition by the Accountant of the heads of the Estimate for Public Education, Ireland, *Ryan* 262–264.

Concurrence of the Committee in the view of the Comptroller and Auditor General that the accounting officer should have stated the Grant in the Appropriation Account, under the several sub-heads as they appear in the Estimate, *Rep.* viii.

Effects of Deceased Soldiers (*Army Accounts*). Accumulation of 37,283 *l.* under the heading of "Effects of Deceased Soldiers;" scheme in contemplation for the disposal of this balance, *Milton* 764–768.

Elrington, Mr. Omission of a foot-note as regards a payment received by Mr. Elrington, Judge of the Civil Bills Court, Ireland, in addition to his salary, *Ryan* 224–226.

Embassy Houses. Adjustment being made as regards the defalcation by the Clerk of the Works at Constantinople (British Embassy Houses), *Mason* 48–50——Charge to be made upon the Estimates of the present year by Treasury authority, so as to cover the defalcation in question, *ib.* 51–53——Sufficient provision in the Estimates for meeting this charge, *Callander* 53*.

Evatts, Thomas (*Navy Accounts*). Explanation in connection with two sums of 588 *l.* 7 *s.* and 108 *l.* 12 *s.* not properly vouched for, owing to defalcations of Mr. Evatts, as assistant paymaster of Her Majesty's ship "Seagull;" balance of 414 *l.* 3 *s.* 7 *d.* charged against irrecoverable balances, with Treasury consent, *Walker* 279–282——Statement relative to the omission on the part of the Admiralty to make a return setting forth the particulars of the defalcation of Mr. Evatts, *ib.* 285–291.

Conclusion of the Committee that the charges in question may be admitted against the Vote, *Rep.* xiii.

Ewart, Colonel C. B., C.B., R.E. (Analysis of his Evidence.)—Calculated completion of the Glasgow New Barracks for the sum of 120,000 *l.*, instead of 96,000 *l.* as first estimated, 743–745——Explanation relative to the excess of the original estimate, the main cause being the breakdown of the first contract and the delay entailed thereby, 746.

Information as to the construction simultaneously of barrack works at Glasgow under the Military Forces Localisation Act, and out of War Office Votes; clear distinction kept between the expenditure for the separate buildings, 753, 754——Detailed account supplied to the Treasury showing the expenditure under the Forces Localisation Act, 755–758.

Extra Receipts. Facility of explaining by note appended to the Appropriation Account the cause of difference between the estimated and actual amount of Extra Receipts in respect of any Vote, *Welby* 5——The Treasury scheme as to Extra Receipts will be laid before the Committee in a very short time, *ib.* 346.

Explanations given to the Committee in certain cases in which there has been a material difference between the estimated amount of Extra Receipts and the amount paid over to the Exchequer, *Rep.* viii——Opinion that the explanation of the causes of variation should be provided in the Account, *ib.*

Extra Remuneration (*Salaried Officers*). Information in connection with a Treasury circular and letter in 1876, requiring that whenever an officer received remuneration from two sources a note to that effect should be inserted in the Estimate, *Welby* 54, 55.

Statement to the effect that in some instances officers of the Home Office receive pay from other departments without the knowledge, necessarily, of the heads of their own department, *Pennefather* 60. 65——Concurrence in the view that an officer of the Home Office cannot receive pay from another department without the sanction of his own chief, *Knyvett* 63, 64. 66–70.

Practice in regard to charging gratuities as additions to salaries, without any special note, so long as there is no excess of Estimate, *Welby* 89–91——View of the Treasury that any department making payments to officers of other departments should specify the same, *ib.* 241——Intention of the Treasury Minute of 15th September 1876, that particulars should be given in the case of any person in the public service receiving emoluments from different sources, *ib.* 682, 683.

Treasury Minute of 15th September 1876, conveying instructions for clearly showing the salary and remuneration derived from different sources by the same officer, *App.* 83. 91, 92.

Explanation that notes have been appended to the Estimates for 1877–78, in respect of

Report, 1877—*continued.*

Extra Rumuneration (*Salaried Officers*)—continued.

of officers who receive remuneration in addition to the fixed salaries of their offices, *Rep.* iv——Suggestion as to the steps to be taken in order to clearly show the whole of the emoluments received by any salaried or superannuated officer of the Crown, *ib.* vii.

See also *Education* (*England and Wales*). *Foreign Office.* *House of Lords.* *Science and Art Department.*

F.

Fees. Requirement as to salaried officers paying to the Exchequer any fees received by them, *Welby* 144–146.

Fisheries, Inspectors of. Explanation as to the Home Office Estimates for 1875–76 and 1876–77 not having contained a note specifying that one of the Inspectors of Fisheries had received an extra payment in addition to his salary; note to this effect in the Estimates for 1877–78, *Knyvett* 56–59.

Foreign Office. Several instances of officers' salaries being charged to the Foreign Office Vote, whilst their allowances are charged to the Diplomatic Vote, *Alston* 71–73——Reference to certain extra allowances to members of the Foreign Office for special services as having been provided for in a Supplementary Estimate for Diplomatic Services, *ib.* 75, 76——Facility of showing in future by means of a note, the gratuities or additions to salaries in the Foreign Office, *ib.* 92, 93——Large excess of the estimate for telegrams in 1876–77, but not in 1875–76, *ib.* 94–97.

French Commercial Treaty. Sanction of the Treasury before it was decided what gratuity should be given to the British representative at the Conference on the French Commercial Treaty; note attached to the account, showing the total allowances, *Alston* 77, 78. 85. 88——Reference to a gratuity of 500 *l.* to the British representative at the conference on the French Commercial Treaty as having been charged to the Diplomatic Vote, *Welby* 86.

G.

General Survey and Valuation of Ireland. Information as to the cause of difference between the estimated and actual amount of extra receipts in respect of surveys (Ireland); difficulty in estimating the amount to be received within the year for maps supplied to the Landed Estates Court, *Mason* 8–18——Apparently large balance of extra receipts not paid to the Exchequer in respect of the general survey and valuation of Ireland, *Welby* 127–129——Arrangement to be made by which in future certain receipts by the Valuation Office in March of each year will be paid over before the end of the financial year, *ib.* 352.

Explanation submitted by the Treasury Remembrancer in Ireland upon the subject of the payment for maps for the Landed Estates Court, *Welby* 353, 354; *App.* 94.

Comment by the Committee upon the long interval (about two and a half years) between the expenditure in respect of maps or surveys for the Landed Estates Court and the repayment, *Rep.* iii.——Recommendation that the system of charging for these surveys should, if practicable, be charged so as to do away with the necessity for arrears, *ib.*

Glasgow Barracks. Delay in the completion of the new barracks at Glasgow, owing to the failure of one of the contractors, *Milton* 741——Explanation that the estimated cost of these barracks has been from 96,000 *l.* to 120,000 *l.*, and not to 158,000 *l.*, though the latter amount was voted up to 1875–76, *ib.* 741, 742.

Calculated completion of the Glasgow new barracks for the sum of 120,000 *l.*, instead of 96,000 *l.* as first estimated, *Ewart* 743–745——Explanation relative to the excess of the original estimate, the main cause being the break down of the first contract and the delay entailed thereby, *ib.* 746.

Letter from the War Office to the Audit Office, dated 16th April 1877, submitting explanations relative to the expenditure in this case, *App.* 115.

Satisfactory explanation of the causes of delay in finishing the new barracks, *Rep.* xvii.

Greenwich Hospital. Correspondence between the Treasury and Admiralty, in August and September 1876, with reference to the writing off an irrecoverable loan made out of Greenwich Hospital funds to the trustees of the Alston Roads, *App.* 87, 88.

Report, 1877—*continued.*

Greenwich Police Court. Explanation that certain fees, so called, retained by the chief clerk of the police court are really payments for extra services or inquiries under the Merchant Shipping Act, *Pennefather* 147–149. 155–160; *Hamilton* 150–154——These inquiries will be held in future by the Wreck Commissioners, so that the payments in question will cease, *Hamilton* 152. 161–163——The remuneration from this source will in future be very small, *ib.* 155.

Scale of fees by which the work done by the clerk at the Greenwich police court has been regulated, *App.* 95.

H.

Hamilton, Robert George Crookshank. (Analysis of his Evidence.)—Treasury sanction for the payment by the Board of Trade of an annual sum of 15 *l.* towards the maintenance of a certain road (Harbours, &c.), 22–24——Sanction of the Treasury also obtained for certain expenditure at Cape Bon, Tunis, in respect of the vote for Lighthouses Abroad; delay in charging this expenditure, 29–31. 41, 42——Explanation relative to the excess of expenditure on a lighthouse at the Bahamas; difficulty and delay in getting in the accounts, 43–45——Voucher recently supplied to the Audit Office for a payment of 8 *l.* in the Bahamas questioned by the comptroller and auditor general, 46.

Obstacle to showing by a supplementary estimate the expense in carrying out the provisions of the Merchant Shipping Act of 1875; 98, 99——Proposal now before the Treasury, as made by the Board of Trade, in reference to the charges for services in respect of the mercantile marine fund, 100–103——Payment into the Exchequer, under the Act of 1876, of the fees paid by shipowners upon a survey, 104–108.

Steps being taken in order to obtain the necessary certificates of qualification from the Civil Service Commissioners for certain officers in the survey branch of the Board of Trade, 112——Sanction of the Treasury subsequently obtained for remuneration for extra services of certain salaried officers, 113.

Explanation that some fees paid to the clerk of the police court were really a payment for inquiries under the Merchant Shipping Act; belief that there is a scale of payment for this work, 150–154——These inquiries will be held in future by the Wreck Commissioners, so that the payment in question will cease, 152. 161–163.

Legal opinion taken by the Board of Trade to the effect that the department had exceeded its powers in taking contributions from seamen as entitling them to pensions; stop since put to the practice, the contributions having been returned, 361–363.

Harbours, &c. (Board of Trade). Treasury sanction for the payment by the Board of Trade of an annual sum of 15 *l.* towards the maintenance of a certain road (vote for Harbours, &c.), *Hamilton* 22–24——Arrangement contemplated by which a payment of 15 *l.* a-year by the Board of Trade towards the repair of a certain road will be paid out of the vote for rates, *Welby* 25.

Heads of Departments. Degree of responsibility of the Parliamentary chief of each department, as well as of the accounting officer, as regards irregular expenditure, *Rep.* xii.

House of Commons Officers. Treasury instructions in September 1876 with reference to two over-payments to massengers, *App.* 89.

House of Lords. Explanation on the subject of there being no note in the Account or in the Estimate to the effect that one of the officers received remuneration in addition to the fixed salary of his office, *Rep.* iv.

I.

India Office. See *Army Accounts.*

Inland Revenue. Treasury sanction obtained in the matter of the employment of some clerks in the Inland Revenue who were not registered by the Civil Service Commissioners, *Cockell* 272——Directions given by the Board for the examination of a certain messenger in the office of the collector at Glasgow, *ib.* 273.

Opinion of the Committee that the amount paid to the messenger may, under the circumstances, be admitted against the Vote, *Rep.* ix.

Inter-

Report, 1877—*continued.*

Inter-departmental Payments. Agreement between the Treasury and Audit Office as to the modification made in a Treasury Minute respecting the date of recording payments made by one department for another, *Ryan and Welby* 381, 382 —— Scheme about to be submitted by the Treasury, which it is hoped will lead to uniformity of practice when one department performs work for another, *Welby* 386.

Concurrence of the Committee in the decision as to the date of recording payments made by one department for another, *Rep.* ix——Important question still pending as to the duties performed by one department on behalf of another, and as to the vote upon which the cost should be charged, *ib.*

Isle of Man. Instruction issued by the Treasury in September 1876 for appending to future Estimates for Public Buildings a note respecting a certain repayment from the revenues of the Isle of Man, *App.* 89.

J.

Johnson, Edmund. (*Analysis of his Evidence.*)—Delay in rendering the Account of the Paris International Maritime Exhibition, owing to vouchers not having been received from Mr. Meinhard, a gentleman employed by the English Committee, 782–784. 788, 789——Legal proceedings instituted by Mr. Mainhard for the recovery of sums claimed by him; probability of vouchers being obtained through these proceedings, 784. 794, 795 ——Explanation as to money having been advanced to Mr. Meinhard without vouchers being received, 785–787——Items composing a total of 235 *l.*, being the expenditure in question; want of vouchers for 135 *l.* out of this amount, 790–793.

K.

Kilmainham Gaol. Inaccuracy in the mode of charging an item on account of debtors in Kilmainham Gaol, *Welby* 221–223.

Kneller Hall. Delay in receiving the Kneller Hall Account for 1875–76, though it has since been passed, *Milton* 774, 775.

L.

Landed Estates Court (Ireland). See *General Survey and Valuation of Ireland.*

Lewis Fund (National Gallery). Satisfaction expressed with the decision of the Treasury with regard to the Lewis Fund, *Ryan* 258.

Lighthouses. Sanction of the Treasury obtained for certain expenditure at Cape Bon, Tunis in respect of the vote for Lighthouse sAbroad; delay in charging this expenditure, *Hamilton*, 29–31. 41, 42—— Explanation relative to the excess of expenditure on a lighthouse at the Bahamas; difficulty and delay in getting in the accounts, *ib.* 43–45——Voucher recently supplied to the Audit Office for a payment of 8 *l.* in the Bahamas questioned by the Comptroller and Auditor General, *ib.* 46.

Denial that the Treasury sanctioned a certain excess under the vote for Lighthouses Abroad, *Welby* 39——Concurrence of the Committee in the views of the Treasury as to the proper mode of accounting for certain expenditure, charged under a new sub-head "Tunis, Cape Bon," *Rep.* iii, iv.

Local Government Board. Treasury instruction to the Board in September 1876 as to noting payments to officers from other votes, *App.* 90.

M.

Map of Europe (Foreign Office). Expenditure of 1,450 *l.* in producing the "Map of Europe by Treaty," the receipts from sales being collected by the Stationery Office, *Alston* 79–84.

Mason, John. (Analysis of his evidence.)—Explanation that the large increase of extra receipts paid over to the Exchequer in respect of County Court Buildings was owing to a certain court house having been taken by the North Eastern Railway Company, 1–4 ——Information as to the cause of difference between the estimated and actual amount of extra receipts in respect of Surveys (Ireland); difficulty in estimating the amount to be received within the year for maps supplied to the Landed Estates Court, 8–18.

Adjustment being made as regards the defalcation by the clerk of the works at Constantinople (British Embassy Houses), 48–50——Charge to be made upon the Estimates of the present year, by Treasury authority, so as to cover the defalcation in question, 51–53.

Report, 1877—*continued.*

Mercantile Marine Fund. Proposal now before the Treasury as made by the Board of Trade in reference to the charges for services in respect of the Mercantile Marine Fund, *Hamilton* 100–103.

Merchant Seamen's Fund. Treasury instruction in September 1876 with reference to contributions to the Fund, *App.* 89.

Merchant Shipping Act. Obstacle to showing, by a supplementary estimate, the expense in carrying out the provisions of the Merchant Shipping Act of 1875, *Hamilton* 98, 99.

Messengers (Public Departments). Expected settlement within a few days of a plan now before the Treasury for an amended staff of messengers, *Welby* 796.

Metropolitan Police. Statement that a receipt of 115 *l.* 2 *s.* 6 *d.* in respect of the assessment and collection of the income tax in the metropolitan police was paid over to the clerks of the police office, *Knyvett* 91, 62——Information as to a certain error in the account of the metropolitan police being due to an alteration in the estimate by the Treasury after it was submitted by the Home Office, *Pennefather* 165, 166. 168–170; *Ryder* 167, 168.

Explanation as to a larger sum than was necessary having been voted for this service, *Rep.* vi.

Metropolitan Police Courts. Explanation as to the difference between the amount of extra receipts stimated and the amount realised in the case of the metropolitan police courts, *Mitford* 350, 351.

Military Forces Localisation Act. Particulars in connection with an excessive issue of 200,000 *l.* under the Localisation of the Forces Act; borrowing powers of the Chancellor of the Exchequer under this Act, *Welby* 497–501.

Information as to the construction simultaneously of barrack works at Glasgow under the Military Forces Localisation Act, and out of War Office votes; clear distinction kept between the expenditure for the separate buildings, *Ewart* 753, 754——Detailed account supplied to the Treasury showing the expenditure under the Act, *ib.* 755–758.

Obstacle to any satisfactory check by the Audit Office as to the relative expenditure under the Military Forces Localisation Act and out of War Office votes in respect of the barracks at Glasgow, *Ryan* 755. 759–761.

Absence of suggestion on the part of the Audit Office for a more efficient check as to expenditure under the Act, *Rep.* xvii.

See also *Army Accounts*, XIV. *Glasgow Barracks.*

Milton, John, C.B. (Analysis of his Evidence.)—Statement showing that there is a necessary lapse of about six months before War Office imprest expenditure can be recorded in the books of the department, 557–570——Large portion of the expenditure, as made direct from the office, which is put on record from day to day, 557, 558——Anxiety of the department to keep the record as close up as possible; reference hereon to the great pressure of work in proportion to the amount of staff, 557. 566, 567.

Explanation as to the extent to which the Chelsea Hospital accounts have hitherto been examined; complete audit provided under the Act of last year, 571–577——Necessity of keeping open the Indian Contingent Account at the War Office pending its final examination and audit at the India Office, the account for 1870–71 not having been yet audited, 578, 579——Progress being made in providing accommodation in Winchester House for the staff of examiners from the Audit Office, 580. 583.

Evidence as to the great labour involved in the preparation in the War Office of a codified statement of the rates of all regimental, staff, and departmental allowances, showing the warrants under which they are paid; obstacle to furnishing any such statement to the Audit Office, 585–610.

Examination in explanation and defence of the practice of the War Office in the alteration of Royal Warrants, with the consent of the Treasury, and in giving increased rates of pay pending the issue of amended warrants, Treasury sanction being first obtained, 615–627——Very large portion of the War Office expenditure for which there is no Royal Warrant, 620——Concurrence in the view of the Audit Office that a Royal Warrant can only be cancelled or amended by a Royal Warrant, 621. 647. 651.

Circumstance of an extra payment of 50 *l.* a year having been made to the Professor of Tactics at the Royal Military College since 1872, by Treasury authority, and without an amending warrant having been obtained, 632–637——Justification of the power of the War Office, with the consent of the Treasury, in altering or increasing the payments under the Estimates so long as the total Vote is not exceeded, 638, 639.

Explanation in reply to the exception taken by the Audit Office as regards the pay of 1,200 *l.*, instead of 1,000 *l.* a year to a deputy quartermaster general; Royal Warrant since obtained in February 1877 authorising this payment, 640, 641——Treasury sanction obtained for the pay of the superintendent of the riding establishment at the cavalry depôt

Report, 1877—*continued.*

Milton, John, C.B. (Analysis of his Evidence)—*continued.*

depôt, 645——Necessity of Treasury sanction before any increase of expenditure under an Army Circular issued before a new Warrant is obtained, 646-651.

Constant payment of large sums by the War Office, with Treasury sanction, in excess of the rates authorised by Royal Warrant, 652. 703——Argument that the Comptroller and Auditor General has only to see that expenditure is either voted by Parliament or sanctioned by the Treasury, and that he has nothing to do with Royal Warrants, 652-664——Treasury authority furnished as a rule to the Audit Office in respect of all rates and allowances, 656-661. 665-669.

Explanation in regard to a certain Royal Warrant of 18th February 1874 not having been first submitted to the Treasury; no increase of pay was involved in this case, 670, 671——Admission as to several small payments for wages, &c., being made without Treasury sanction; insignificant amount of these as compared with the immense total of the Army Account, 673-679.

Great labour and enormous mass of printed matter if details were specified in all cases of non-commissioned officers and privates receiving extra allowances or payment from different sources; reference especially to the case of warders at the Tower, 680, 681. 687——Understanding as to the Treasury Minute of 15th September 1876 having referred only to "officers," in requiring that emoluments from more than one source should be set forth, 680, 681. 683, 684. 687——Inaccurate inference of the Audit Office as to certain allowances to warders and others at the Tower being given for distinguished service; particulars hereon, 684-693.

Explanation of the course pursued by the War Office in dealing with the sum saved on the death of the deputy lieutenant of the Tower; grounds for submitting that a new Royal Warrant was not necessary in diverting a portion of this sum from increasing the number of good service annuities, as prescribed by Warrant in 1854; 694-706——Evidence in justification of the action of the War Office in remunerating certain garrison appointments in the Tower out of a sum of 21,500 *l.* ordered by Royal Warrant in 1870 to be yearly distributed in annuities or rewards for distinguished services, 707-709. 711-714. 716-720. 722.

Full information and facilities supplied by witness to the staff of the Audit Office in their investigation of the War Office Accounts, 722——Intention to amend the Warrant relating to allowances to officers at the Staff College, 723.

Witness further contends that the Secretary of State for War is the sole interpreter of his own Warrants, and that the Comptroller and Auditor General has no right to question such interpretation, 723-727——Admission as to the entire authority of the Public Accounts Committee to report to the House in reference to the interpretation of warrants as well as to all other matters brought before them, 725-729.

Amended instructions issued as regards the giving of stamped receipts by the officers of the War Department, 730——Custody by the Paymaster General of the cheques, which require merely the endorsement of the recipient, 731-733——Exception taken to the interpretation placed by the Audit Office upon certain warrants as to the allowances for horse and field batteries, &c., 734-740.

Delay in the completion of the new barracks at Glasgow owing to the failure of one of the contractors, 741——Explanation that the estimated cost of these barracks has risen from 96,000 *l.* to 120,000 *l.*, and not to 158,000 *l.*, though the latter amount was voted up to 1875-76; 741, 742——Accumulation of 37,283 *l.* under the heading of "Effects of Deceased Soldiers"; scheme in contemplation for the disposal of this balance, 764-768.

Inaccuracy of a statement as to four junior clerks having been appointed to the War Office within a certain period; explanation hereon as to the absorption of some redundant juniors into the establishment, and as to an irregularity which accidentally occurred during the process, 769.

Considerable delay before some of the Indian accounts are received at the War Office, the latter having no control in the matter, 770-773——Delay in receiving the Kneller Hall Account for 1875-76, though it has since been passed, 774, 775.

Letter recently sent from the Army Works Department to the Audit Office conveying information on certain questions raised by the latter, 801. 803——Explanation as to the War Office not having replied to an inquiry by the Audit Office in January 1877 relative to the steps taken under section 18 of the Regimental Debts Act, 805.

Statement as to the unavoidable delay in furnishing the Treasury with the Appropriation Account of charges defrayed on account of India down to 31st March 1876; 816. 818——Explanation that every item in this account has had the certificate and approval of the Comptroller and Auditor General, 816——Claim on the part of witness to relief from all responsibility for the disposal of the public money embraced in this account; that is, under the full and final certificate of the Audit Office, 816, 817.

Objection to the claims in dispute between the India Office and War Office being audited by the former department, by whom the claims are made, 825, 826. 830——

Report, 1877—*continued.*

Milton, John, C.B. (Analysis of his Evidence)—*continued.*

Approval of a detailed audit by the Audit Office being dispensed with as regards certain sums for unvoted services, 830, 831.

Inaccuracy of the assumption that up to 1861 all payments made by India on account of services rendered by the War Department for India were dealt with as Appropriations in Aid, 832-836——Comment upon the large omissions from a statement by the Comptroller and Auditor General of the home charges between the India Office and War Office, 832.

Reference to an Act of Parliament for the Government of India in 1793 as authorising the arrangement pursued in subsequent years, and followed by witness for the last seven years in regard to the sum of 100,000 *l.* a year, not voted by Parliament, 238——Statement as to the sums in question not having passed into the Exchequer previously to 1861; different practice since that year in these sums having been voted by Parliament and appearing in the Army Estimates, 833-838. 840-844.

Examination in detail in support of the conclusion that it was, or should have been, perfectly understood by the Treasury in 1869-70, and subsequently, that the War Office intended to exclude from the Army Votes the pay of colonels of regiments serving in India, as well as certain other charges; documentary evidence to the foregoing effect, 845-848. 850-862.

Comment upon a statement that the War Office did not at any time between 1869-70 and November 1875 call the attention of the Treasury to the large sum charged to War Office balances on account of Indian payments, 863——Justification of the action of the War Office in making advances for unvoted services out of the general balances available; check by means of the certificate of the Comptroller and Auditor General, 863-869.

Grounds for the conclusion of the War Office that the Treasury were holding the payments from India for the use of the War Office, instead of paying them to the Exchequer, 869. 881-883——Very large and important matters in dispute between the War Office and India Office as regards voted services, but not as regards unvoted services,; difficulty especially as to two leading questions, 870-873——Statement as to every item in the Army Appropriation Account being built up under the certificate of the Audit Office, 876, 877.

Evidence to the effect that the irregularities in question arose through the Treasury agreeing with the India Office to receive certain sums for services without consultation with the War Office as to the sufficiency of the amount, 882. 887.

Explanation showing that instead of any delay in presenting the War Office claims to the India Office, after their bases had been officially sanctioned, there was great promptitude on the part of the War Office in the matter, 888——Delay in receiving the Treasury sanction to the bases of the claims, 888, 889——Reference by the War Office to the Treasury of a letter from the India Office in January 1877 with respect to the claims in question, 892. 905-907.

Contention still arising upon the recruit question up to 31st March 1873; particulars hereon, 894. 900. 903——Binding effect of the report of Mr. Bouverie's Committee as regards the basis of adjustment of the recruit claims from 1st April 1873 to 31st March 1877; 892. 894-896. 900-902. 908, 909——Question at issue between the War Office and India Office in regard to the distribution of the charges of the men at Netley, 905.

Witness further submits that the War Office was perfectly justified in making advances for unvoted services out of the general balances, including the amounts voted by Parliament as well as the receipts from other sources, 911-913. 917-922——Instances of Treasury sanction to expenditure by the War Office which had not been voted; reference especially to some charges in respect of Netley, 913-915——Claim of the War Office to apply extra receipts in payment of any charges which properly come against the department, 917-922.

Approval of a concurrent audit, on behalf of India, of War Office charges; that is, if a basis of charge be first fixed upon, 925-927. 930——Impracticability of settling the recruit question upon the basis of actual charges, 932——Explanation as to the cause of a discrepancy of 399 *l.* 4 *s.* 8 *d.* between the amount claimed from India for effective services, and the sum charged in the Appropriation Account, 935, 936.

Minifie, William. (Aanalysis of his Evidence.)—Explanation on the part of the India Office, that the delay in finally closing the Indian Contingent Account (Army) is due to questions arising out of the Effective Account; prospect of the former account being soon settled, 806-808—— Explanation also as to the long interval before the accounts of certain expenditure incurred in India are rendered to, or received at, the War Office; efforts made to render these accounts as promptly as possible, 809-814.

Explanation as to some of the objections made by the India Office to the claims of the War Office in respect of the charge for recruits, 903—— Belief that as regards the accounts of 1871-72, the recruit question is the only question of principle at issue between the two departments, 904, 905——Limitation of the objections hitherto raised by the India Office to the years 1870-71 and 1871-72; 909.

Mitford,

Report, 1877—*continued.*

Mitford, Algernon Bertram. (Analysis of his Evidence.)—Explanation of the small amount of extra receipts (1 *s.*) paid over to the Exchequer under Vote 13 (Office of Works), for Science and Art Department Buildings, 349——Explanation also as to the difference between the amount of extra receipts estimated and the amount realised in the case of the Metropolitan Police Courts, 350, 351.

Recent intimation received by the Office of Works as to the settlement by the Treasury of the mode of charging the Post Office and the Telegraph Service respectively for sites and buildings, 470-474.

Moody, Mr. See *Science and Art Department.*

N.

Navy Accounts:

Deficit of only 63,000 *l.* on the Navy Estimates in 1875-76, as compared with 250,000 *l.* in the previous year, *Walker* 274——Report submitted explanatory of the fluctuations in the expenditure included in the Estimates for 1875-76, *ib.* 274. 277, 278——Statement as to the efforts made by means of postponement of payments, &c. to avoid deficits, and as to the necessity of provision by means of Supplementary Estimates, *ib.* 274-278.

Payment to be made to the Treasury of a credit balance of 4,672 *l.* 14 *s.* 10 *d.* for bills drawn by accounting officers, *Walker* 292, 293. 295——More prompt settlement in future as regards outstanding credit balances, *ib.* 296-298——Explanation as to the cause of delay in the case of certain cash accounts received but not examined, *ib.* 299-305——Cause of the omission to make provision in the Estimates for "free kit to boys," amounting to about 15,000 *l.*, *ib.* 306, 307.

Explanation in connection with the deficit on account of expenditure in repairs to ships in foreign dockyards, *Walker* 313-315——Unforeseen and special circumstances which account for the large deficits under the sub-heads for "Passages," "Miscellaneous Payments," &c., *ib.* 318-324——System of averages upon which the Estimates are based, witness anticipating greater accuracy in future, *ib.* 323, 324. 330——Careful consideration before reducing the Miscellaneous Vote from 135,000 *l.* to 130,000 *l.* for the present year, *ib.* 325-328.

Particulars relative to the large deficit in respect of pensions and gratuities to seamen and marines; insufficiency of the data furnished on this score by the War Office, an amended system of calculation being now adopted, *Walker* 331-337——Reference to an extra expenditure of about 2,400 *l.* for the passage of Royal Engineers to Fiji, as being really made for the War Office, *ib.* 338-341——Practice as to the periodical settlement of accounts for pensions paid by the War Office for the Admiralty, *ib.* 342——Arrangement for clearing up these accounts quarterly, if possible, *Edwards* 343, 344.

Report by the Accountant General of the Navy, dated 29th December 1876, containing explanations on various points in connection with the Appropriation Account for 1875-76, *App.* 85-87.

Treasury instructions in September 1876, in order to give effect to the recommendations of the Committee of last Session relative to the Navy Appropriation Account, *App.* 92.

Undue delay in the examination of some of the accounts, *Rep.* xiii——Regret expressed by the Committee in regard to the continued deficit on the Navy Estimates, though much less than in previous years, *ib.* xiii, xiv——Objection to the principle of postponing payments properly chargeable to a given year, in order to avoid excess of Estimate, *ib.* xiii.

See also *Evatts, Thomas.* "*Serapis*" *and* "*Osborne.*"

O.

Office of Works, &c. Instructions issued by the Treasury in 1876, with reference to the Appropriation Accounts of some of the grants administered by the Office of Works and Public Buildings, *App.* 89.——*See* also *Post Office,* 3

P.

Paris International Maritime Exhibition. Information on the subject of the want of vouchers for certain expenditure under the vote for the Paris International Maritime Exhibition; action of the Treasury in the matter, *Welby* 374-376.

Delay in rendering the account of the Exhibition owing to vouchers not having been received from Mr. Meinhard, a gentleman employed by the English committee, *Johnson* 782-784. 788, 789——Legal proceedings instituted by Mr. Meinhard for the recovery

Report, 1877—*continued.*

Paris International Maritime Exhibition—continued.

recovery of sums claimed by him; probability of vouchers being obtained through these proceedings, *Johnson* 784. 794, 795——Explanation as to money having been advanced to Mr. Meinhard without vouchers being received, *ib.* 785-787——Items comprising a total of 235 *l.*, being the expenditure in question; want of vouchers for 100 *l.* of this amount, *ib.* 790-793.

Grounds of the Committee for concluding that the payments amounting to 135 *l.* should not be allowed, *Rep.* viii.

Parliamentary Control. *See* also *Army Accounts*, II. *Deficits.* *Unvoted Services.*

Paymaster General's Office. Irregularity on the part of the Treasury in sanctioning the employment of a messenger in the Paymaster General's Department without his having obtained a certificate of qualification, *Welby* 119, 120.

Phœnix Park Riots (1871). Explanation of the views of the Treasury and Audit Office as regards the mode of dealing with expenses in connection with the Phœnix Park riots of 1871, *Ryan* 206-211.

POST OFFICE:

1. *Irregular Appointments; Promotions and Transfers.*
2. *Payments for Extra Work.*
3. *Post Office and Telegraph Buildings.*
4. *Surplus on the Estimates.*
5. *Question of Audit.*
6. *Government Annuities and Insurances.*
7. *Saving Banks Defalcations.*
8. *Void Money Orders.*
9. *Remuneration of Sub-postmasters and Receivers.*
10. *Claim against the Royal Mail Steam Packet Company.*
11. *Effect giving by the Treasury to the Recommendations of the Public Accounts Committee of last Session.*
12. *Importance of an Amended Classification of the Various Branches of the Department.*

1. *Irregular Appointments; Promotions and Transfers:*

Explanation on the subject of certain Post Office appointments, the salaries of which, previously disallowed, will in future be paid under recent Treasury Warrants, *Blackwood* 391. 393——Recent action of the Treasury in the issue of warrants dealing with certain Post Office appointments in which salaries had been disallowed, *Welby* 392.

Statement on the subject of promotions or transfers in the Post Office without a fresh certificate from the Civil Service Commissioner, *Blackwood* 403-405. 410-420——Complication and difficulty upon the question of a fresh Civil Service certificate being required in cases of promotion or transfer in the Post Office; the Treasury is now considering the matter, *Welby* 406-409.

Communication from the Treasury, dated 23rd March 1877, respecting sundry promotions in the Post Office questioned by the Comptroller and Auditor General, *App.* 104, 105.

Final settlement of the question of irregular appointments in the Post Office and Telegraph Services, *Rep.* ix.

Opinion that the salaries reported on by the Audit Office as not properly chargeable against the vote may be allowed, *Rep.* x.

2. *Payments for Extra Work:*

Treasury decision not yet received by the Post Office upon the subject of payments for extra work, *Blackwood* 421-424——Attention being given to the subject of payment for extra work in the Post Office, *Welby* 425.

Explanation of the conclusion arrived at by the Treasury upon the subject of extra work and special allowances in the Post Office, *Welby* 518.

Steps to be taken with a view to a definite agreement as to the course in future with regard to payments for extra duty and special work, *Rep.* x.

3. *Post Office and Telegraph Buildings:*

Settlement in 1876 of the question as to the apportionment of charges to be paid for sites and buildings by the Post Office and Telegraph Service respectively; method of charge to be pursued in future, *Blackwood* 467. 481——Explanation that this adjustment will only apply to past charges, so far as the accounts are open, *ib.* 468, 469. 480, 481.

Recent

Report, 1877—*continued.*

POST OFFICE—continued.

3. *Post Office and Telegraph Buildings*—continued.

Recent intimation received by the Office of Works as to the settlement by the Treasury of the mode of charging the Post Office and the Telegraph Service, respectively, for sites and buildings, *Mitford* 470–474.

Misapprehension, owing to which delay occurred before the Board of Works was informed as to the apportionment of the charge for sites and buildings between the Post Office and Telegraph Service, *Welby* 475——Explanation as to the charge to be placed upon the Post Office Vote in the case of sites and buildings respectively, *ib.* 476–449.

Contemplated re-adjustment in the case of the telegraph profit and loss account, as regards the charge for sites and buildings, *Ryan* 482, 483——Facility of re-adjustment as regards the profit and loss account of the telegraph service, *Blackwood* 484.

Steps taken with a view to a final arrangement or apportionment of the building charge, *Rep.* xi.

Correspondence between the Post Office, Treasury, and Office of Works in March, April, and December 1876, upon the question of apportionment of the cost of sites and buildings between postal and telegraph accounts, *App.* 97, 98.

4. *Surplus on the Estimates:*

Surplus of 17,998 *l.* 11 *s.* –½ *d.*, to be surrendered on the Post Office Vote, *Rep.* x.

5. *Question of Audit:*

Communication about to be opened between the Treasury officers of accounts and the financial secretary of the Post Office, in reference to the test examination of the London district and provincial post office account, *Welby* 396.

Regret expressed by the Committee that no further progress has been made with the scheme for a test examination as to Treasury authority, of the accounts of the London district and provincial postmasters, *Rep.* ix.

6. *Government Annuities and Insurances:*

Information relative to the excess of expenditure over receipts in the management of the Government annuities and insurances; attention of the Treasury called to this matter, *Blackwood* 438. 440–446——Consideration being given by the Treasury to the expenditure in connection with the issue of annuities to seamen through the Post Office, *Welby* 439.

7. *Savings Banks' Defalcations:*

Great expenditure involved in further precautions for guarding against fraud or default in respect of the Post Office Savings Bank account; statement hereon as to the comparatively small amount of loss, *Blackwood* 426–431. 433.

8. *Void Money Orders:*

Explanation in reference to the delay in bringing void money orders to account; this delay is in process of diminution, *Blackwood* 434–437.

9. *Remuneration of Sub-postmasters and Receivers:*

Necessity of Treasury authority for all rates of salary, and for allowances in the case of the London district and provincial postmasters, *Blackwood* 397–399. 401, 402——Omission on witness's part owing to which Treasury action has not yet been taken as regards the system of remunerating sub-postmasters and receivers, *Welby* 400——Intention of the Treasury to deal as soon as possible with the question of remuneration of sub-postmasters and receivers, *ib.* 514.

Steps in contemplation with reference to the mode of remunerating the sub-postmasters and receivers, *Rep.* ix.

10. *Claim against the Royal Mail Steam Packet Company:*

Investigation being made with a view to arbitration in respect of the sum said to be due by the Royal Mail Steam Packet Company to the Post Office, *Blackwood* 449.

11. *Effect given by the Treasury to the Recommendations of the Public Accounts Committee of last Session:*

Treasury instructions in September 1876, for giving effect to the recommendations of the Committee of last Session, *App.* 93.

12. *Importance of an Amended Classification of the Various Branches of the Department:*

Conclusion as to the necessity of defining the several classifications of the various branches of the department, and the particular situations falling within each classification, *Rep.* ix, x——Satisfaction expressed with the steps taken with a view to classification, *ib.* x.

Prince of Wales' Visit to India. The Admiralty account of the Prince of Wales' visit is closed, *Walker* 329.

Probate Court (Ireland). Inaccuracy in the mode of charging a sum of 75 *l.* under the Vote for the Court of Probate, Ireland, *Ryan* 212.

Procurators Fiscal. Communication between the Treasury and the Lord Advocate upon the question of payments to the procurators fiscal, *Ryan* 116; *Welby* 117——Statement on the subject of its being clearly specified that additions have been made to the salaries of certain procurators fiscal, *Welby* 205, 206. 208; *Ryan* 207.

Public Works (Ireland). Action of the Treasury in sanctioning the temporary employment of a messenger in the office of Public Works, Ireland, previously to his obtaining a certificate of qualification, *Welby* 123——Continued employment of a messenger without a certificate of qualification, *Ryan* 124–126——Explanation as to the continued employment of the messenger in question, *Welby* 796.

Expediency of a prompt adjustment of the long outstanding balances of advances for public works, &c., Ireland, *Rep.* xiii.

Public Works' Loans. Particulars as to the system of advance and repayment of the Public Works' Loans, and as to the check to the borrowing powers of the Chancellor of the Exchequer, *Welby* 502–507——Intention of the Treasury to reintroduce the Bill of last year for settling the question of outstanding balances of advances for public works, *ib.* 508, 509.

Q.

Queen's University, Ireland. Circumstance of the Audit Office not having been supplied with Treasury authority for applying the savings on certain sub-heads of the Vote for the Queen's University, Ireland, to the excesses on other sub-heads, *Ryan* 265——Belief that application has not been made for Treasury authority for the transfer of savings to meet deficiencies under sub-heads of this Vote, *Welby* 266.

Treasury sanction given for applying savings on certain sub-heads of the Vote to meet excesses on other sub-heads, *Welby* 510.

R.

Railway Accidents Commission. Action being taken by the Treasury solicitor in the matter of a large balance in the hands of the Secretary of the Railway Accidents Commission, *Welby* 364.

Rates (Government Property). Explanation as to the Audit Office accepting certain schedules of rates on Government property on the authority of the Treasury, and without an independent verification, *Ryan* 26, 27.

Regimental Debts Act. Explanation as to the War Office not having replied to an inquiry by the Audit Office in January 1877 relative to the steps taken under section of this Act, *Milton* 805.

Registrars of Friendly Societies. Treasury Minute, dated 15th September 1876, with reference to the omission of a note showing the remuneration derived from the registrar from different sources, *App.* 83.

Relief of Distressed British Seamen. Treasury instructions in September 1876 with reference to the abandonment of claims against shipowners, *App.* 89.

Royal Commissions. Functions of the secretary of each Royal Commission to see that the members duly account for expenditure incurred, *Welby* 371–373.

See also *Coal Commission.* *Railway Accidents Commission.*

Royal Parks. Instructions issued by the Treasury in September 1876 relative to placing certain payments in respect of Royal parks under separate sub-heads, *App.* 89.

Royal Warrants. See *Army Accounts,* IX.

Ryan, Charles Lister. (Analysis of his Evidence.)—Explanation as to the Audit Office accepting certain schedules of rates on Government property on the authority of the Treasury, and without an independent verification, 26, 27——Misappropriation involved when excess upon a vote is sanctioned by the Treasury, 35, 36——Suggestion that excess of expenditure might still be shown upon the account in which it occurred, although provided out of the Civil Contingencies Fund, 36, 37.

Continued employment of a messenger in the office of Public Works, Ireland, without a certificate of qualification, 124–126——Statement as to witness' department not auditing certain accounts already audited by the examiners of Criminal Law Accounts, 130–134——Comment

Report, 1877—*continued*.

Ryan, Charles Lister. (Analysis of his Evidence)—*continued.*

——Comment upon the effect of a postponed payment of salaries due to bank clerks employed at the Chancery Pay Office, Ireland, 135, 136.

Failure of three applications to the registrar of the Whitchurch County Court to send in a return of his receipts, 137, 138——Grounds for the objection made by the Audit Office to the practice in dealing with fines paid by prison warders (convict service), witness contending that they should go into the Exchequer as extra receipts, 191, 192.

Explanation of the views of the Treasury and Audit Office as regards the mode of dealing with expenses in connection with the Phœnix Park riots of 1871; 209–211——Inaccuracy in the mode of charging a sum of 75*l.* under the Vote for the Court of Probate, Ireland, 212——Satisfactory explanation received as to the discrepancy between the estimated and actual amounts of extra receipts in the case of the Dublin Metropolitan Police, 213–215.

View of the Audit Office as to the expediency of certain charges for the Irish constabulary being defrayable out of Army Votes, 216, 217——Omission of a foot note as regards a payment received by Mr. Elrington, Judge of the Civil Bills Court, Ireland, in addition to his salary, 224–226.

Satisfaction expressed with the decision of the Treasury with regard to the Lewis Fund (National Gallery), 258——Admission as to the Audit Office having been in error in reference to the expenditure of the British Museum at the Galichon sale; denial that any charge was made or implied against the Museum authorities, 259. 261.

Comment upon the transposition by the accountant of the heads of the Estimate for Public Education, Ireland, 262–264——Circumstance of the Audit Office not having been supplied with the Treasury authority for supplying the savings on certain sub-heads of the Vote for the Queen's University, Ireland, to the excesses on other sub-heads, 265.

Contemplated readjustment, in the case of the Telegraphs Profit and Loss Account, as regards the charge for sites and buildings, 482, 483——Adoption by the Post Office of the mode of adjustment proposed by the Audit Office in respect of a certain charge under the Telegraphs Vote, 485, 486.

Opinion of the Audit Office that under the Telegraph Act of 1873 a sum of 6,713*l.* 12*s.* 6*d.* spent upon extensions and charged to capital account in 1876–77 should strictly have been charged upon the Vote, 541, 542.

Prompt record of imprest expenditure in the case of the Civil Services as compared with the delay of six months in the case of the War Office, 568——Great labour in the preparation by the Audit Office, from War Office warrants and other materials, of a codified statement of all allowances at home and foreign stations; expediency of every facility being given in the matter by the War Office, 610–614.

Views of the Audit Office as to the necessity of an amending Royal warrant before any change is made by the War Office in the pay under previous warrant, 631. 643, 644——Irregularity amended by the War Office in the matter of the pay of 1,200*l.* a year to a deputy quartermaster general at head quarters without Royal warrant, 642——Reason for the objection raised by the Audit Office as to mode of appropriation of the sum saved on the death of the Deputy Lieutenant of the Tower, 698.

Grounds for dissenting from the interpretation put by the War Office upon a Royal warrant of 1870 as regards the application of a sum of 21,500*l.* set aside annually for distinguished services, 710–712. 715, 716——Great diminution of the usefulness of the Comptroller and Auditor General if debarred from putting his own interpretation upon Royal warrants and all other documents which come before him; appeal to the present Committee and to the House from such interpretation, 721, 722.

Obstacle to any satisfactory check by the Audit Office as to the relative expenditure under the Military Forces Localisation Act, and out of War Office Votes, in respect of certain barrack works at Glasgow, 755. 759–761.

Denial that the Audit Office examination of the items comprised in the War Office Appropriation Account of charges in respect of India relieves the accountant of anything wrong in the expenditure, 817——Necessarily limited character of the independent audit of the War Office accounts; very small staff of examiners for this purpose, *ib.*

Unnecessary expense if the Audit Office were to examine in detail, after a detailed examination by the India Office, the various items in the Appropriation Account of charges in respect of India, 823. 828. 830——Limited character of the certificate given by the Comptroller and Auditor General upon the Army Accounts, it being no part of his duty to verify the balances, 875–877.

Question as to there having been irregularity on the part of the Treasury in treating as revenue and paying to the Exchequer the amounts received from India in respect of War Office claims; earlier application by the War Office to the Treasury if the former had known of the diversion of the money, 878–880——Non-objection on the part of the

Report, 1877—*continued.*

Ryan, Charles Lister. (Analysis of his Evidence)—*continued.*

Audit Office to a concurrent audit between the India Office and War Office, 929—— Explanation of the term "actual charges," as distinct from commuted payment by India, in case of recruits, 931.

Account submitted showing that down to 31st March 1876 the total War Office charge against India for effective services is 2,535,159 *l.*, and that the total advance by India in respect thereof is 2,490,000 *l.*; 933, 934.

S.

Salaries. See *Extra Remuneration.*

San Domingo. Explanation as to a certain amount or claim against the Dominican Government being necessarily kept open till the year 1878–79, *Welby* 491, 492.

Sandford, Sir F. See *Education (England and Wales).*

Science and Art Department. Explanation as to foot notes not having been appended in the case of certain extra payments to officers of the Science and Art Department, *MacLeod* 237, 238——Reason assigned for not appending foot notes with regard to payments by the department to salaried or superannuated officers of other departments; difficulty involved, though notes shall be furnished in future, if so ordered by the present Committee, *ib.* 239, 240. 242–249.

Particulars as to the sub-heads under which the expenditure in connection with the exhibition of scientific apparatus has been charged; account of this expenditure promised to the Committee, *MacLeod* 250–257.

Explanation of the small amount of extra receipts (1 *s.*) paid over to the Exchequer, under Vote 13 of the Office of Works, for Science and Art Department buildings, *Mitford* 349.

Treasury Minute of 15th September 1876, sanctioning the payment to Mr. Moody, and submitting certain directions on the subject of extra remuneration of any officer, *App.* 90.

Summary by the Committee of the circumstances connected with certain extra payments to officers; suggestion hereon as to the course to be pursued in order to clearly show the emoluments received from different sources, *Rep.* vii.

Concurrence in the view that the expenditure in the case of the Science Apparatus Exhibition should have been shown under a new and separate sub-head, *Rep.* vii.

"*Serapis*" *and* "*Osborne.*" Special considerations owing to which application was not made to the Treasury for a partial sanction of outlay upon the "Serapis" and "Osborne" for the Prince of Wales' visit to India, *Walker* 308–312.

Ships' Surveys. Payment into the Exchequer, under the Act of 1876, of the fees paid by shipowners upon a survey, *Hamilton* 104–108.

Staff College. Intention to amend the Warrant relating to allowances to officers at the Staff College, *Milton* 723.

Sub-heads of Votes. Concurrence of the Committee in the view of the Treasury that in authorising the raising of a new sub-head the Treasury does not sanction the excess of expenditure, but only provides for the irregularity being brought before the Committee, *Rep.* iii, iv.

Superannuation. Treasury instruction in September 1876 for amending the heading of this Vote, *App.* 91.

Surplus Votes. See *Deficits.*

Survey and Valuation of Ireland. See *General Survey and Valuation of Ireland.*

T.

Telegraph Service:

1. *Capital Account; Expenditure in Extensions.*
2. *Payments to Railway Companies.*
3. *Agreements with the Greenock and Ayrshire, and Leven East of Fife Railways.*
4. *Several Accounts still open with Railway Companies; Amount involved.*
5. *Irregular Appointments, and Staff of Linemen.*
6. *Irregular Payments by the late Second Secretary.*
7. *Mode of charging Interest on Purchase Monies.*
8. *Mode of Classifying Charges under the Head of Stores.*
9. *Apportionment of Expenditure on Telegraph and Post Office Buildings.*
10. *Surplus on the Telegraph Vote.*

Report, 1877—*continued.*

TELEGRAPH SERVICE—continued.

1. *Capital Account; Expenditure in Extensions:*

Letter about to be sent from the Treasury to the Audit Office explanatory of the course proposed to be taken as regards certain expenditure charged against the Telegraph Capital Account, but disallowed by the Public Accounts Committee of 1876, *Welby* 530.

Intention to charge against extensions a sum of 312 *l.* –*s.* 4 *d.* overcharged on capital account for the purchase of private undertakings, *Blackwood* 532–536——Concurrence of the Treasury in the course pursued by the Post Office in charging to the Telegraph Capital Account, in 1876–77, a sum of 6,713 *l.* 12 *s.* 6 *d.* expended in extensions, *Welby* 541, 542——Reasons submitted on the part of the Post Office for charging to capital account, in 1876–77, an expenditure of 6,713 *l.* 12 *s.* 6 *d.* for extensions not charged in 1875–76, *Backwood* 537–540. 543–545.

Opinion of the Audit Office that under the Telegraph Act of 1873 a sum of 6,713 *l.* 12 *s.* 6 *d.* spent upon extensions and charged to capital account in 1876–77 should strictly have been charged upon the Vote, *Ryan* 541, 542.

Treasury instructions in September 1876 in order to give effect to the views of the Committee of last Session relative to the Telegraph Capital Account, *App.* 93.

Correspondence between the Treasury and Post Office in 1876 and 1877 respecting certain irregular payments on Telegraph Capital Account, as reported upon by the Committee of last Session, *App.* 99–102——Communications between the Audit Office and Treasury in March and April 1877 relative to the disallowances in question, *ib.* 103.

Grounds of the Committee for concurring in the opinion of the Audit Office as to the mode of defraying expenditure incurred on extensions prior to 1st October 1873, *Rep.* xii.——Concurrence of the Committee in the view of the Treasury as to the proper course to be pursued in reference to any sum recommended for disallowance by the Committee, *ib.*

2. *Payments to Railway Companies:*

Information recently supplied by the Post Office relative to certain payments to railway companies; correspondence at present with the Treasury on this subject, *Blackwood* 464–466——Further time required for dealing with a proposed schedule of payments to railway companies in respect of the telegraph service, *Welby* 521, 522.

Permanent sanction recently given by the Treasury to certain way-leave rents claimed by railway companies; provisional sanction in other cases, *Welby* 797.

3. *Agreements with the Greenock and Ayrshire, and Leven East of Fife Railways:*

Explanation of the delay in submitting for Treasury sanction the agreements between the Post Office and the Greenock and Ayrshire, and Leven and East of Fife Railways; there is no further payment to be made to these companies, *Blackwood* 526–529.

Expediency of as little delay as possible in completing the agreements with the Greenock and Ayrshire, and Leven and East of Fife Companies, *Rep.* xi.

4. *Several Accounts still open with Railway Companies; Amount involved:*

Accounts still open with nine or ten railway companies, the total amount claimed by them being 1,649,538 *l.*, *Blackwood* 549–551——Good prospect of all these claims being settled in the year 1877–78; necessity of arbitration in some cases, *ib.* 552–556.

5. *Irregular Appointments, and Staff of Linemen:*

Evidence as to the employment of an unestablished staff of linemen, &c. in the telegraph service, and as to the causes of the delay in the settlement of the question; the proposals of the Postmaster General on the subject will be submitted to the Treasury in a few days, *Blackwood* 450–460.

Communication from the Treasury, dated 26th March 1877, respecting the position of linemen and others, *Welby* 519, 520; *App.* 105, 106.

Completion and issue of all the Treasury Warrants under the Act of last year sanctioning certain appointments in the service, *Welby* 522.

Summary of the steps taken with a view to a settlement of the question of the unestablished staff and the position of the linemen, *Rep.* xi.

6. *Irregular Payments by the late Second Secretary:*

Concurrence of the Committee in the decision that the late second secretary (Mr. Scudamore) was responsible in respect of payments to the amount of 2,236 *l.* 10 *s.* 3 *d.* disallowed by the Audit Office, *Rep.* xi, xii——Concurrence in the conclusion of the Treasury that the personal liability of Mr. Scudamore should not be enforced, *ib.* xii——Concurrence, also, with the opinion of the Treasury that Mr. Scudamore is to be entirely acquitted of any charge of *mala fides*, and that the irregularity was due to a grave error of judgment on his part, *ib.*

Report, 1877—*continued.*

TELEGRAPH SERVICE—continued.

7. *Mode of charging Interest on Purchase Monies:*

Conclusion that certain payments by way of interest on the purchase of undertakings should not be charged against the capital account, *Rep.* xii, xiii.

8. *Mode of Classifying Charges under the Head of Stores:*

Satisfaction expected to be given to the Audit Office in the mode of classifying certain telegraph charges now placed under the head of stores, *Blackwood* 461, 462.

9. *Apportionment of Expenditure on Telegraph and Post Office Buildings:*

Decision of the Treasury as to the apportionment of expenditure for Post Office buildings between postal and telegraph services; steps taken hereupon, *Rep.* xi.

10. *Surplus on the Telegraph Vote:*

Surplus of 66,190 *l.* 7 *s.* 2¾ *d.* to be surrendered on the Vote for the Telegraph Service, *Rep.* xi.

See also *Post Office*, 3.

Tower of London (*Army Accounts*). Inaccurate inference of the Audit Office as to certain allowances to warders and others at the tower being given for distinguished service; particulars hereon, *Milton* 684–693——Explanation of the course pursued by the War Office in dealing with the sum saved on the death of the Deputy Lieutenant of the Tower; grounds for submitting that a new Royal Warrant was not necessary in diverting a portion of this sum from increasing the number of good service annuities, as prescribed by Warrant in 1854, *ib.* 694–706.

Reason for the objection raised by the Audit Office as to mode of appropriation of the sum saved by the death of the Deputy Lieutenant of the Tower, 698.

Evidence in justification of the action of the War Office in remunerating certain garrison appointments in the Tower out of a sum of 21,500 *l.* ordered by Royal Warrant in 1870 to be yearly distributed in annuities or rewards for distinguished services, *Milton* 707–709. 711–714. 716–720. 722.

Treasury. Misappropriation involved where excess upon a vote is sanctioned by the Treasury, *Ryan*, 35, 36——Explanation that excess of expenditure is not sanctioned by the Treasury, but only the mode of charging or accounting for such expenditure, *Welby* 37–40.

Treasury Minute, dated 15th September 1876, submitting instructions to various public departments in accordance with recommendations by the Public Accounts Committee of last Session, *App.* 88–94.

See also *Army Accounts*, II.

U.

Unvoted Services. Strong protest against the doctrine that moneys voted by Parliament for any services may be applied to unvoted services, *Welby* 912.

See also *Army Accounts*, II., XV.

W.

Walker, William Henry Routledge. (Analysis of his Evidence.)—Deficit of only 63,000 *l.* on the Navy Estimates in 1875–76 as compared with 250,000 *l.* in the previous year, 274——Report submitted explanatory of the fluctuations in the expenditure included in the Estimates for 1875–76; 274. 277, 278——Statement as to the efforts made to avoid deficits, and as to the necessity of provision by means of supplementary estimates, 274–278.

Explanation in connection with two sums of 588 *l.* 7 *s.* and 108 *l.* 12 *s.* not properly vouched for, owing to defalcations of Mr. Evatts, an assistant paymaster of Her Majesty's ship "Seagull"; balance of 414 *l.* 3 *s.* 7 *d.* charged against irrecoverable balances, with Treasury consent, 279–282——Statement relative to the omission on the part of the Admiralty to make a return setting forth the particulars of the defalcation of Mr. Evatts, of the "Seagull," 285–291.

Payment to be made to the Treasury of a credit balance of 4,672 *l.* 14 *s.* 10 *d.* for bills drawn by accounting officers, 292, 293. 295——More prompt settlement in future as regards ontstanding credit balances, 296–298——Explanation as to the cause of delay in the case of certain cash accounts received but not examined, 299–305——Cause of the omission to make provision in the Estimates for "Free Kit to Boys," amounting to about 15,000 *l.*; 306, 307.

Special considerations owing to which application was not made to the Treasury for a partial

Report, 1877—*continued.*

Walker, William Henry Routledge. (Analysis of his Evidence)—*continued.*

partial sanction of outlay upon the "Serapis" and "Osborne" for the Prince of Wales' visit to India, 308-312——Explanation in connection with the deficit on account of expenditure in repairs to ships in foreign dockyards, 313-315——Unforeseen and special circumstances which account for the large deficits under the sub-heads for "Passages," "Miscellaneous Payments," &c., 318-324.

System of averages upon which the Estimates are based, witness anticipating greater accuracy in future, 323, 324. 330——Careful consideration before reducing the Miscellaneous Vote from 135,000*l.* to 130,000*l.* for the present year. 325-328—— Particulars relative to the large deficit in respect of pensions and gratuities to seamen and marines; insufficiency of the data furnished on this score by the War Office, an amended system of calculation being now adopted, 331-337.

Reference to an extra expenditure of about 2,400*l.*, for the passage of Royal Engineers to Fiji, as being really made for the War Office, 338-341——Practice as to the periodical settlement of accounts for pensions paid by the War Office for the Admiralty, 342——(*Mr. Edwards.*) Arrangement for clearing up these accounts quarterly, if possible, 343, 344.

(*Mr. Walker.*) Final settlement of the account with the India Office relative to the China war, 345——Correspondence submitted between the Admiralty and Treasury relative to a loan in connection with the Alston Roads (Greenwich Hospital Account), 347.

War Office. Inaccuracy of a statement as to four junior clerks having been appointed to the War Office within a certain period; explanation hereon as to the absorption of some redundant juniors into the establishment, and as to an irregularity which accidentally occurred during the process, *Milton* 769.——*See* also *Army Accounts.*

Welby, Reginald Earle, C.B. (Analysis of his Evidence.)—Facility of explaining, by note appended to the Appropriation Account, the cause of difference between the estimated and actual amount of extra receipts in respect of any vote, 5——Arrangement contemplated by which a payment of 15*l.* a year by the Board of Trade towards the repair of a certain road will be paid out of the vote for rates, 25.

View of the Treasury as to the expediency of any excess of expenditure being shown as an excess upon the vote, instead of being met out of the Civil Contingencies Fund 32-34——Explanation that excess of expenditure is not sanctioned by the Treasury, but only the mode of charging or accounting for such expenditure, 37-40—— Denial that the Treasury sanctioned a certain excess under the vote for Lighthouses Abroad, 39.

Information in connection with a Treasury circular and letter in 1876, requiring that whenever an officer receives remuneration from two sources, a note to that effect should, be inserted in the Estimate, 54, 55——Reference to a gratuity of 500*l.* to the British representative at the conference on the French Commercial Treaty as having been charged to the Diplomatic Vote, 86——Practice in regard to charging gratuities or additions to salaries without any special note, so long as there is no excess of estimate, 89-91.

Irregularity on the part of the Treasury in sanctioning the employment of a messenger in the Paymaster General's Department without his having obtained a certificate of qualification, 119, 120——Action of the Treasury in sanctioning the temporary employment of a messenger in the office of Public Works, Ireland, previously to his obtaining a certificate of qualification, 123——Apparently large balance of extra receipts not paid to the Exchequer in respect of the General Survey and Valuation of Ireland, 127-129.

Special examination as to qualification in the case of Mr. Charles Button, employed in the Principal Registry at Westminster, 142——Requirement as to salaried officers paying to the Exchequer any fees received by them, 144-146——Concurrence of the Treasury with the Home Office (Convict Department), in approval of the course adopted in dealing with fines paid by prison warders, instead of paying them to the Exchequer as extra receipts, 178-182. 186, 187. 193.

Decision of the Treasury that certain charges for the Irish Constabulary shall be paid out of Army Votes, 218——Inaccuracy as to the mode of charging an item on account of debtors in Kilmainham Gaol, 221-223.

Exception taken to the opinion of the Audit Office that a gratuity of 500*l.* a year paid to the secretary of the Education Department for services rendered to the Science and Art Department should have been charged to the vote for the latter, 227——Prospect of settlement of the question of an extended audit of the accounts of the Education Department, 234. 236.

View of the Treasury that any department making payments to officers of other departments should specify the same, 241——Belief that application has not been made for Treasury authority for the transfer of savings to meet deficiencies under sub-heads

Welby, Reginald Earle, C.B. (Analysis of his Evidence)—*continued.*

of the vote for the Queen's University, Ireland, 266——Obstacle to estimating the extra receipts or repayments in respect of grants-in-aid to certain colonies, 269, 270.

Decision of the Treasury as to the arrangement in future for charging the cost of maintaining the required depth of water off the Trinity pier at Cowes, 316, 317.

The Treasury scheme as to extra receipts will be laid before the Committee in a very short time, 346.

Arrangement to be made by which in future certain receipts by the Valuation Office (Ireland), in March of each year will be paid over before the end of the financial year, 352——Memorandum submitted relative to a large sum owing by the Landed Estates Court (Ireland), 353, 354.

Small charges still coming in from time to time in respect of the Vote of Credit for the Ashantee Expedition; belief there is no charge of any magnitude now outstanding, 356, 357——Alternative means by which provision may be made as to further charges, 356. 360——Surplus surrendered in respect of this vote two years ago, and again last year, 359.

Action being taken by the Treasury Solicitor in the matter of a large balance in the hands of the secretary of the Railway Accidents Commission, 364——Explanation of the delay in connection with the payment of a claim by Sir George Elliot in respect of expenditure incurred in 1867 and 1868 on account of the Coal Commission; difficulty as to vouchers in this case, 365–371——Functions of the Secretary of each Royal Commission to see that the members duly account for expenditure incurred, 371–373.

Information on the subject of the want of vouchers for certain expenditure under the vote for the Paris International Maritime Exhibition; action of the Treasury in the matter, 374-376——Adjustment being made between the Foreign Office and India Office, in regard to certain payments on account of the Zanzibar Consulate, 377–379.

(*Mr. Welby and Mr. Ryan.*) Agreement between the Treasury and Audit Office as to the modification made in a Treasury Minute respecting the date of recording payments made by one department for another, 381, 382.—(*Mr. Welby.*) Scheme about to be submitted by the Treasury which it is hoped will lead to uniformity of practice when one department performs work for another, 386.

Recent action of the Treasury in the issue of warrants dealing with certain Post Office appointments in which salaries had been disallowed, 392——Communication about to be opened between the Treasury Officers of Accounts and the Financial Secretary of the Post Office in reference to the test examination of the London District and Provincial Post Office Account, 396.

Omission on witness' part, owing to which Treasury action has not yet been taken as regards the system of remunerating sub-postmasters and receivers, 400——Complication and difficulty upon the question of a fresh civil service certificate being required in cases of promotion or transfer in the Post Office; the Treasury is now considering the matter, 406-409——Attention being given also to the subject of payment for extra work in the Post Office, 425.

Consideration being given by the Treasury to the expenditure in connection with the issue of annuities to seamen through the Post Office, 439——Misapprehension owing to which delay occurred before the Board of Works was informed as to the apportionment of the charge for sites and buildings between the Post Office and Telegraph Service, 475——Explanation as to the charge to be placed upon the Post Office Vote in the case of sites and buildings respectively, 476–479.

Explanation as to a certain account or claim against the Dominican Government being necessarily kept open till the year 1878–79; 491, 492——Result of the legal proceedings taken by the Treasury to recover outstanding claims against certain boroughs, 495, 496——Information in connection with an excessive issue of 200,000*l.* under the Localisation of the Forces Act; borrowing powers of the Chancellor of Exchequer under this Act, 497–501.

Particulars as to the system of advance and repayment of the public works loans, and as to the check to the borrowing powers of the Chancellor of the Exchequer, 502-507——Intention of the Treasury to re-introduce the Bill of last year for settling the question of outstanding balances of advances for public works, 508, 509.

Treasury sanction given for applying savings on certain sub-heads of the vote for the Queen's University, Ireland, to meet excesses on other sub-heads, 510——Correspondence between the Treasury and Admiralty in October and November 1876, relative to an alleged theft by the crew of the cutter of Her Majesty's ship "Wolverene," whilst engaged in searching a dhow in July 1873 off the coast of Zanzibar, 511.

Recent letter from the Treasury, dated 23rd March 1877 (*App.* 104, 105), upon the subject of irregular promotions in the Post Office, 513——Intention of the Treasury to deal as soon as possible with the question of remuneration of sub-postmasters and receivers, 514——Explanation of the conclusion arrived at by the Treasury upon the subject of extra work and special allowances in the Post Office, 518.

Recent

Report, 1877—*continued.*

Welby, Reginald Earle, C.B. (Analysis of his Evidence)—*continued.*

Recent letter from the Treasury (*App.* 105, 106), directing the course to be pursued as regards the establishment of telegraph linemen and others, 519, 520——Further time required for dealing with a proposed schedule of payments to railway companies in respect of the telegraph service, 521, 522——Completion and issue of all the Treasury Warrants under the Act of last year sanctioning certain appointments in the service, 522.

Steps being taken by the Treasury for dealing with a sum of 1,500 *l.* due from the Receiver of Constabulary in Ireland, 523——Inability of witness to explain the non-attendance before the Committee of the registrar of the Whitchurch County Court, 524.

Letter about to be sent from the Treasury to the Audit Office explanatory of the course proposed to be taken as regards certain expenditure charged against the Telegraph Capital Account, but disallowed by the Public Accounts Committee of 1876; 530——Concurrence of the Treasury in the course pursued by the Post Office in charging to Telegraphic Capital Account in 1876–77 a sum of 6,713 *l.* 12 *s.* 6 *d.* expended in extenstons, 541, 542.

Completion of the purchase of Winchester House, though the rooms are not yet ready for the staff from the Audit Office, 583, 584——Function of the War Office to obtain Royal Warrants giving effect to increased rates of pay sanctioned by the Treasury, 628, 629——Power of the Treasury to sanction increase of expenditure under any head of the Army Vote so long as there is no excess upon the whole vote, 630.

Intention of the Treasury Minute of 15th September 1876 that particulars should be given in the case of any person in the public service receiving emoluments from different sources, 682, 683——Amended instructions ordered to be issued as regards the giving of stamped receipts by salaried officers of the War Office establishment, 730.

Objection to any saving under the Army Works Vote, which is merely deferred expenditure, being treated as such, and returned to the Exchequer instead of being available to meet deficiencies under the same vote, 747–751——Necessity of the subsequent sanction of Parliament when the surplus on one vote has been transferred to meet the deficiency on another, 752.

Explanation as to the continued employment of a messenger in the office of Public Works, Ireland, without a certificate of qualification, 796——Expected settlement within a few days of a plan now before the Treasury for an amended staff of messengers, *ib.*

Permanent sanction recently given by the Treasury to certain way-leave rents claimed by railway companies in respect of the telegraphs; provisional sanction in other cases, 797.

Explanation as to the time within which Winchester House may be ready for the reception of the Audit Office clerks to be attached to the War Office, 798.

Grounds for the conclusion that the Treasury has no right to prescribe to the War Office what steps it should take in order to embody changes made with the sanction of the Treasury in Royal Warrants, 799, 800——Expediency of a codification from time to time of the regulations as to the pay and allowances of soldiers, 800.

Delay in receiving vouchers from the War Office which prevented the Treasury from supplying the Audit Office till the 8th January 1877 with the Appropriation Account of Charges defrayed on Account of India, 815——Concurrence in the views of the Audit Office in favour of dispensing with a detailed examination of this account, 831——Statement as to certain sums dealt with between the War Office and India Office not having been voted by Parliament prior to 1861, whilst since that year they have appeared in the Estimates, 839.

Denial that the Treasury was informed by the War Office, or had good reason to conclude, that it was intended to exclude from the Army Estimates the pay of colonels of regiments serving in India, and to settle such payment as a personal account with the India Office, 849. 862——Statement that it is not the duty of the Treasury to examine the balance sheet attached to the Army Appropriation Account, 874.

Instances of the Treasury holding money for other departments without paying it over to the Exchequer; it is not, however, paid over to the departments for expenses incurred by them, 884–886——Explanation in reference to same delay on the part of the Treasury in 1872–73 in sanctioning the data for the War Office claims on the India Office, 889.

Strong protest against the doctrine that moneys voted by Parliament for any services may be applied to unvoted services, 912——Denial that the Treasury sanction was ever intended to be given to certain expenditure at Netley not voted by Parliament, 915, 916——Opinion favourable to the suggestion for a concurrent audit as between the India Office and War Office, 937.

Whitchurch County Court. Failure of three applications to the registrar of the Whitchurch County Court to render a return of his receipts, *Ryan* 137, 138——Explanation that a certain return required from the registrar of the county court at Whitchurch would not

Whitchurch County Court—continued.

come through witness; nor was witness aware of the neglect of this officer in not furnishing the return, *Nicol* 137. 139.

Inability of witness to explain the non-attendance before the Committee of the registrar of the Whitchurch County Court, *Welby* 524——Explanation as to the non-attendance, through ill health, of the registrar of this court, *Nicol* 777, 778.

Satisfactory state of the accounts of this officer up to 31st December 1876; belief that there is no incorrectness in a certain account not rendered by him, *Nicol* 779–781.

Ill health of the registrar of the court, so that he could not attend before the Committee, *Rep.* v.

"*Wolverene*," *H.M. S.* Correspondence between the Treasury and Admiralty in October and November 1876 relative to an alleged theft by the crew of the cutter of Her Majesty's ship "Wolverene," whilst engaged in searching a dhow in July 1873 off the coast of Zanzibar, *Welby* 511.

Woods and Forests. Treasury instructions in September 1876 upon the subject of the relations between the law agent in Scotland and the Office of Woods and Forests in London, *App.* 92.

Z.

Zanzibar. Adjustment being made between the Foreign Office and India Office in regard to certain payments on account of the Zanzibar Consulate, *Welby* 377–379.

REPORT

FROM THE

SELECT COMMITTEE

ON

ANCIENT MONUMENTS BILL;

TOGETHER WITH THE

PROCEEDINGS OF THE COMMITTEE,

AND

MINUTES OF EVIDENCE.

Ordered, by The House of Commons, *to be Printed*,
9 *July* 1877.

317.

Wednesday, 7th March 1877.

Ordered, THAT the ANCIENT MONUMENTS BILL be read a second time, and committed to a Select Committee.

Tuesday, 15th May 1877.

Committee nominated of—

Lord Francis Hervey.	Mr. Rodwell.
Mr. Herschell.	Mr. Grant Duff.
Earl Percy.	Sir Charles Legard.
Mr. Beresford Hope.	Sir Richard Wallace.
Mr. Sullivan.	Mr. Arthur Moore.
Sir Philip Egerton	Sir John Lubbock.
Mr. Osborne Morgan.	

Ordered, THAT Five be the Quorum of the Committee.

Thursday, 7th June 1877.

Ordered, THAT the Committee have power to send for Persons, Papers, and Records.

That, subject to the Rules, Orders, and Proceedings of this House, all persons legally interested in any of the properties included in the Schedules have leave to appear by their Agents, Counsel, and Witnesses in support of any Petition which they may have presented praying to be heard against the Bill.

REPORT - - - - - - - - - - - - - - p. iii
PROCEEDINGS OF THE COMMITTEE - - - - - p. iv
MINUTES OF EVIDENCE - - - - - - - - - p. 1

REPORT.

THE SELECT COMMITTEE to whom the ANCIENT MONUMENTS BILL was referred, have considered the said Bill, and taken evidence thereon, which they have agreed to report to the House, and have gone through the Bill, and made Amendments thereunto.

9$\frac{7}{8}$ *July* 1877.

PROCEEDINGS OF THE COMMITTEE.

Monday, 25th June 1877.

MEMBERS PRESENT:

Sir John Lubbock.	Mr. Rodwell.
Earl Percy.	Lord Francis Hervey.
Mr. Grant Duff.	Sir Richard Wallace.
Mr. Beresford Hope.	

Sir JOHN LUBBOCK was called to the Chair.

The Committee deliberated.

The Petition of Mr. J. S. W. S. E. Drax, a Member of the House, complaining that his private rights and interests were affected by the Bill, was read.

[Adjourned till Monday next, at Twelve o'clock.

Monday, 2nd July 1877.

MEMBERS PRESENT:

Sir JOHN LUBBOCK in the Chair.

Mr. Rodwell.	Mr. Beresford Hope.
Sir Charles Legard.	Sir Philip Egerton.
Lord Francis Hervey.	Mr. Grant Duff.
Earl Percy.	Mr. Arthur Moore.
Mr. Osborne Morgan.	Sir Richard Wallace.

Motion made, and Question put, "That before proceeding to consider the clauses of this Bill, the Committee will take evidence for the purpose of ascertaining the considerations which induced the framers thereof to select the monuments mentioned therein, the extent and value of the property affected, and other cognate matters"—(Lord *Francis Hervey*).—The Committee divided:

Ayes, 3.	Noes, 6.
Lord Francis Hervey.	Mr. Beresford Hope.
Earl Percy.	Sir Philip Egerton.
Sir Charles Legard.	Mr. Osborne Morgan.
	Mr. Rodwell.
	Mr. Grant Duff.
	Mr. Arthur Moore.

Preamble *postponed.*

Clause 1.—Amendment proposed, in line 13, to leave out from the word "includes," to the word "thereof," in the next line, inclusive, in order to insert the words, "the ground on which a monument stands, and any part of a monument, or of the ground on which it stands"—(Earl *Percy*),—instead thereof.—Question put, That the words proposed to be left out stand part of the Clause.—The Committee divided:

Ayes, 6.	Noes, 4.
Mr. Beresford Hope.	Lord Francis Hervey.
Sir Philip Egerton.	Earl Percy.
Mr. Osborne Morgan.	Mr. Rodwell.
Mr. Grant Duff.	Sir Charles Legard.
Sir Richard Wallace.	
Mr. Arthur Moore.	

Amendments made.—Clause, as amended, *agreed to.*

Clause 2.—Amendment proposed, in line 23, to leave out from the word "Wales," to the word "abolished," inclusive, in line 31—(Mr. *Rodwell*).—Question put, That

That the words proposed to be left out stand part of the Clause.—The Committee divided:

Ayes, 2.	Noes, 8.
Mr. Grant Duff.	Lord Francis Hervey.
Sir Richard Wallace.	Earl Percy.
	Mr. Beresford Hope.
	Sir Philip Egerton.
	Mr. Osborne Morgan.
	Mr. Rodwell.
	Sir Charles Legard.
	Mr. Arthur Moore.

Amendment proposed, in line 31, after the word "abolished," to leave out the word "and" —(Lord *Francis Hervey*).—Question put, That the word "and" stand part of the Clause. —The Committee divided:

Ayes, 6.	Noes, 4.
Mr. Beresford Hope.	Lord Francis Hervey.
Sir Philip Egerton.	Earl Percy.
Mr. Osborne Morgan.	Mr. Rodwell.
Mr. Grant Duff.	Sir Charles Legard.
Sir Richard Wallace.	
Mr. Arthur Moore.	

Further Amendments made.—Another Amendment proposed, in page 2, line 16, after the word "lands," to insert the words "not exceeding in the whole 500 acres"—(Lord *Francis Hervey*).—Question put, That those words be there inserted.—The Committee divided:

Ayes, 2.	Noes, 8.
Lord Francis Hervey.	Earl Percy.
Sir Charles Legard.	Mr. Beresford Hope.
	Sir Philip Egerton.
	Mr. Osborne Morgan.
	Mr. Rodwell.
	Mr. Grant Duff.
	Sir Richard Wallace.
	Mr. Arthur Moore.

Further Amendments made.—Another Amendment proposed, in page 2, line 18, after the word "quorum," to add the words "one of whom at least shall be an Inclosure Commissioner"—(Earl *Percy*).—Question put, That those words be there inserted.—The Committee divided:

Ayes, 4.	Noes, 6.
Lord Francis Hervey.	Mr. Beresford Hope.
Earl Percy.	Sir Philip Egerton.
Mr. Rodwell.	Mr. Osborne Morgan.
Sir Charles Legard.	Mr. Grant Duff.
	Sir Richard Wallace.
	Mr. Arthur Moore.

Clause, as amended, *agreed to.*

Clause 3.—Amendment proposed to omit sub-section 1—(Mr. *Osborne Morgan*).—Question put, That sub-section 1 stand part of the Clause.—The Committee divided:

Ayes, 6.	Noes, 3.
Lord Francis Hervey.	Mr. Beresford Hope.
Earl Percy.	Mr. Osborne Morgan.
Sir Philip Egerton.	Mr. Arthur Moore.
Mr. Rodwell.	
Mr. Grant Duff.	
Sir Richard Wallace.	

Amendments made.—Clause, as amended, *agreed to.*

Clause 4, *agreed to.*

Clauses 5—7, amended, and *agreed to.*

Clause 8, *agreed to.*

Clause 9, amended, and *agreed to.*

Clause 10, *postponed.*

Clauses 11—13, *agreed to.*

Clauses 14—16, *postponed*

Clause 17, amended, and *agreed to.*

Clause 18, *agreed to.*

Clause 19, *postponed.*

Clauses 20—21, *agreed to.*

[Adjourned till Monday next, at One o'clock.

Monday, 9th July 1877.

MEMBERS PRESENT:

Sir JOHN LUBBOCK in the Chair.

Sir Philip Egerton.	Mr. Sullivan.
Sir Charles Legard.	Lord Francis Hervey.
Earl Percy.	Mr. Grant Duff.
Mr. Beresford Hope.	

Clauses 10 and 14, *further postponed.*

Clause 15.—Amendment made.—Another Amendment proposed, in line 41, to leave out "fifty," in order to insert "five"—(Lord *Francis Hervey*)—instead thereof.—Question put, That "fifty" stand part of the Clause.—The Committee divided:

Ayes, 4.	Noes, 3.
Mr. Beresford Hope.	Lord Francis Hervey.
Mr. Sullivan.	Earl Percy.
Sir Philip Egerton.	Sir Charles Legard.
Mr. Grant Duff.	

Clause further amended, and *agreed to.*

Clauses 16 and 19, *further postponed.*

Mr. Clerk, who appeared as counsel for Mr. Drax, the owner of Cæsar's Camp, Wimbledon, was heard in support of the petition of Mr. Drax, and called the following witnesses:—Mr. *William James Calloway* and Mr. *William Michael Ogden*, who were severally examined.

Clause 10.—Question put, "That this Clause stand part of the Bill."—The Committee divided:

Ayes, 4.	Noes, 3.
Mr. Beresford Hope.	Lord Francis Hervey.
Mr. Sullivan.	Earl Percy.
Sir Philip Egerton.	Sir Charles Legard.
Mr. Grant Duff.	

Clause 14, *agreed to.*

Clause 16.—Question put, "That this Clause stand part of the Bill."—The Committee divided:

Ayes, 5.	Noes, 2.
Lord Francis Hervey.	Earl Percy.
Mr. Beresford Hope.	Sir Charles Legard.
Mr. Sullivan.	
Sir Philip Egerton.	
Mr. Grant Duff.	

Clause 19, *disagreed to.*

Motion made, and Question put, "That before proceeding to consider the Schedules to this Bill the Committee will take evidence for the purpose of ascertaining the considerations which induced the framers thereof to select the monuments mentioned therein in preference

preference to others of a similar kind, the extent and value of the property affected, and other cognate matters"—(Lord *Francis Hervey*).—The Committee divided:

Ayes, 2.	Noes, 4.
Lord Francis Hervey.	Mr. Beresford Hope.
Sir Charles Legard.	Sir Philip Egerton.
	Mr. Sullivan.
	Mr. Grant Duff.

SCHEDULES of the Bill considered.

Schedule 1.—Amendment proposed, to leave out the words "Cæsar's Camp"—(Lord *Francis Hervey*).—Question put, That the words "Cæsar's Camp" stand part of the Schedule.—The Committee divided:

Ayes, 4.	Noes, 2.
Mr. Beresford Hope.	Lord Francis Hervey.
Sir Philip Egerton.	Sir Charles Legard.
Mr. Sullivan.	
Mr. Grant Duff.	

Schedule, 1 *agreed to.*

Schedule, 2 *agreed to.*

Preamble, *agreed to.*

Bill, as amended, to be reported.

Ordered, To report, together with the Minutes of Evidence.

LIST OF WITNESSES.

PAGE

Mr. *William James Calloway* - - - - - - - - 1

Mr. *William Michael Ogden* - - - - - - - - 5

MINUTES OF EVIDENCE.

Monday, 9th July 1877.

MEMBERS PRESENT:

Mr Grant Duff.	Sir Charles Legard.
Sir Philip Egerton.	Sir John Lubbock.
Lord Francis Hervey.	Earl Percy.
Mr. Beresford Hope.	Mr. Sullivan.

SIR JOHN LUBBOCK, IN THE CHAIR.

Mr. *Clerk* appeared for Mr. Drax, the owner of Cæsar's Camp, Wimbledon, and stated to the Committee his objections to Cæsar's Camp being included in the Schedule. 9 July 1877.

Mr. *William James Callaway*, called in; and Examined by Mr. *Clerk*.

Mr. *Callaway.*

1. You are Bailiff to Mr. Drax?—Yes.
2. Residing at Warren Cottage, Wimbledon?—Yes.
3. You know where that part of the estate which is now called Cæsar's Camp, but which has generally been called The Rounds, is?—Yes.
4. What is the size of that Camp?—Inside the circle about 9 acres.
5. Taking to the outside the circle, what is the acreage?—Twelve acres.
6. What is the pink on the map?—That is the 50 yards.
7. In the year 1872 one-half of the land of that Camp was let to Mr. Albert Dixon?—Yes; the nearest half to the Common.
8. Upon a building agreement?—Yes.
9. That was in connection with some other land extending below the Camp?—Yes.
10. I believe soon after that Mr. Dixon commenced to build houses upon the portion of the Camp so leased to him?—Yes; I believe the materials for the building were carted by him from Wimbledon Common by that road which goes in front of those houses which have already been constructed.
11. That was a road, I believe, which you, acting as bailiff for Mr. Drax, had used for a great many years?—Yes; it had been used for farm purposes for 40 odd years.
12. But a question was raised, I believe, by the Conservators of Wimbledon Common as to the propriety of carting building materials over that road?—Yes.
13. The result of that was, I believe, that, it being ultimately taken before the Lords Justices, it was decided that you only had a right to use that road for agricultural purposes?—Only for agricultural purposes.
14. There would be another access to this estate from the Kingston Road?—Yes.
15. That would not be so convenient?—No; it would be much further round.
16. That decision had the effect of delaying Mr. Dixon in carrying on his building?—Yes; it stopped him in his building operations.

Mr. *Callaway.*

9 July 1877.

17. Some of the foundations had been dug?—Yes, they had already been put in, and there were lots of materials in the Camp.

18. One of the water companies has laid water pipes right across the middle of Cæsar's Camp?—Yes; past Mr. Dixon's building land.

19. Before the Lords Justices came to that decision, that that road could only be used for agricultural purposes, I believe orders were given to fill in the ditch?—Yes.

20. There was a high embankment inside that ditch towards those 9 acres?—Yes.

21. What was the height of that embankment?—Six feet in some places.

22. How much in the lower parts?—Four feet; from 4 to 6 feet.

23. That has been entirely levelled?—Yes.

24. The ditch has been entirely filled up with that embankment?—Yes; it was shovelled over into the ditch; it was undermined in the valley, and the stuff being sandy stuff, it all fell in.

25. Mr. *Sullivan.*] Is it levelled the whole way round?—Yes.

26. Mr. *Clerk.*] Except that there has been some subsidence of the ground which has been thrown in, there would be hardly any mark where the ditch was?—Yes; it has fallen in gradually in some places.

27. It has fallen in in some places, and that marks the existence of the ditch? Yes.

28. That is the condition in which it is now?—Yes.

29. Therefore is it the case that but for some oak trees which were planted some years ago round the Camp, there would not be any vestige of the Camp at all?—No; anyone who knew it before, if he were to see it now would not know that it was a Camp.

30. These oak trees are round where the ditch was?—Yes.

31. It is a gravelly soil in general?—Yes.

32. A large portion of it would, I take it, not be adapted for agricultural purposes?—No.

33. Has any part of it been ploughed?—Yes, there are evident traces now of its having been ploughed.

34. On the part towards the wood?—Yes; the further side of the Camp.

35. That has been ploughed?—Yes, there are the marks of furrows now.

36. Three houses were built, immediately adjoining Cæsar's Camp, a few years ago?—Yes.

37. Which are all leased and occupied?—Yes, all occupied.

38. And those come close up to Cæsar's Camp?—Quite up to the ground leased to Mr. Dixon; there is only a fence dividing it.

39. They come close up to that fence?—Yes.

40. Then I suppose the persons occupying those houses use this road from Wimbledon Common for the purpose of getting to their houses?—Yes, they use it; and they come through the gate into Mr. Dixon's land to get the back way into their gardens.

41. You have the estate plan; will you show to the Committee the state of things on the map?—(*The Witness did so*).

42. Mr. *Beresford Hope.*] Are those houses that are built detached houses, or are they in a row?—Detached houses, with gardens, with about two acres of land.

43. Sir *Philip Egerton.*] You say the mound is level?—Yes.

44. Mr. *Clerk.*] Entirely gone?—Yes.

45. And the part which was let for building to Mr. Dixon was the part immediately adjoining where the three houses are now built?—Yes.

46. The Kingston-road runs at the bottom of the green colour on the map?—Yes, that bounds the estate.

47. This circular bit towards Wimbledon Common would be one of the highest parts on the estate?—Yes, it overlooks the whole.

48. Sir *Charles Legard.*] Do you know the value of the land at all?—No, I do not.

49. Mr. *Grant Duff.*] Do you represent that the Camp has been entirely destroyed; do you say that a person going there could not say that it was a Camp?—I should say that he would not know that it had ever been a Camp.

50. *Chairman.*]

50. *Chairman.*] There is still a very well-marked ditch, is not there?—In some places none at all; it is only in those places where the ground has fallen in that you would see there had even been anything of the sort.

51. Do you deliberately tell the Committee that it is only where the earth has accidentally fallen in that there is any trace of a Camp now remaining?—Yes, except the trees. It did not accidentally fall in, but subsided.

52. Lord *Francis Hervey.*] The trees are not part of the Camp?—No, they have been planted on the edge of it.

53. Mr. *Beresford Hope.*] Where do the trees grow?—On the bank; some were taken down with the bank. There are other trees not on the bank.

54. There are trees still standing?—Yes.

55. And there is the bank on which they grow?—No; the bank is taken away from them. There are mounds of earth left round the roots of the trees.

56. How near are the trees to each other?—In some places they are close together.

57. What do you call close together?—On the half leased to Mr. Dixon some are within ten or a dozen yards of each other.

58. What trees are they?—Oak trees.

59. Ten yards means that their heads touch?—In places.

60. That means a continuous line of trees?—Yes, where they touch; but nearest to Warren Farm there are very few trees.

61. Where there are trees you say they are about 10 yards from each other; their heads touch?—Yes, in places they do.

62. Then they must have a certain amount of ground to grow on?—When we levelled the bank we did not study whether they would grow or no; we left a heap of earth round them.

63. Did you leave a heap of earth round them so that they should die, or so that they should grow?—It did not matter to us whether they did or not.

64. It does not matter to Mr. Drax whether the trees die or not?—Not a bit.

65. Then why did you leave them?—Mr. Dixon very much wished them left on his part.

66. Mr. Dixon then wanted them to live?—I suppose so.

67. It was in order to please Mr. Dixon that you left the trees?—Yes.

68. Of course, if Mr. Dixon wanted you to leave the trees, he wanted live trees, and not dead trees?—Yes.

69. And in order that they should be live trees, and not dead trees, you left a certain amount of earth round them?—Yes.

70. And that amount of earth which you left round them was so many bits of the old bank?—Yes.

71. So that at that part, according to your own showing, you have a good deal of the old bank left, if you have trees growing on it so near that their heads can touch?—There is not a great deal of the old bank left.

72. How many of those trees would there be not 10 yards off each other?—I cannot tell you exactly.

73. Thereabout how many; are there 100?—No.

74. Are there 90?—No.

75. Are there 10?—There are more than 10.

76. Are there 20?—No, I should think not; not left with mounds of earth round them.

77. In all the Camp there are not 20 trees left with mounds of earth round them?—No; the trees do not all grow on the bank; there are some grow outside of it.

78. You are prepared to tell the Committee that the only trace of the old Camp is those mounds of earth on which those 20 trees nearly are growing?—I should not like to say there are 20; I could not tell you how many there are.

79. *Chairman.*] You distinctly say that, except those mounds, there are no remains left of the old vallum or ditch?—Yes; I suppose the bank is meant.

80. You really mean to say that?—Yes.

81. Earl *Percy.*] You say there are about 12 acres inclosed within the outer limits of the Camp, as I understand?—Yes.

82. And beyond that limit there is that space marked by that red line which is 50 yards round the Camp?——

Mr. *Callaway.*

9 July 1877.

83. Can you tell us what addition the including of that space would be to the 12 acres; what would it be altogether?—About 20 or 21 acres.

84. *Chairman.*] How long has the Camp been in this condition?—In July 1875; I had orders to do it from July to November 1875; the men were doing it. We have not done anything since.

85. Have you been on the spot since?—Yes, I live just below the Camp.

86. Mr. *Beresford Hope.*] How far off?—Perhaps 300 yards from the Camp.

87. You say you are bailiff to Mr. Drax; have you had charge of land all your life?—No, I was Mr. Drax's butler before I went there.

88. How long have you been a bailiff?—Six years.

89. Have the care of woodland, and so on?—Yes.

90. And you consider yourself as competent to act as a bailiff as you were to act as a butler?—Yes.

91. You being a gentleman who has been a bailiff six years, and who considers himself competent to act as a bailiff, and who has had the care of woodland, do you tell the Committee that you do not know whether there are 20 trees or not, in a piece of ground 300 yards from where you live?—I did not say I did not know that there were not about 20 trees; I have never counted the trees; I could not tell you how many there were exactly. I think it would be impossible, unless you counted them, to say how many there were; anyone going and looking at them would not know how many there were. I did not count the trees; I did not think it worth while. I might have counted them this morning if I thought I was going to be asked the question. I understood the question to apply to trees with mounds of earth left round them on the bank.

92. Mr. *Sullivan.*] Is the neighbourhood much built on?—Yes; this side of Cæsar's Camp, on the Wimbledon Common side.

93. Do you think that people consider the Camp as an attraction, in looking at this as a site for building?—Yes; the moment it was known that the plots were to be let, offers were made.

94. I am talking of the neighbourhood round about; is the neighbourhood of the Camp sought after as building ground?—There is only one side of the estate that is near the Camp, the rest is Wimbledon Common.

95. Was the side of the estate near the Camp, not the Camp itself, looked after at all as building ground?—Yes, that is built on.

96. Do you think that it was taken for building ground because it was near the Camp?—I do not know.

97. Do you think the existence of the Camp induced the people, who took the ground, to build near that place?—I do not know; I should think the view would attract any one to build there.

98. There is no mark of the Camp, you say?—Only the subsidence I spoke of in places; in some places you would not know that there had been a ditch.

99. There is only that subsidence and the ring of trees?—Yes, in parts.

100. Earl *Percy.*] What would you put as the value of those 12 acres, if let on building leases?—I do not know; there is a meadow of Mr. Drax's below, near the station; I have been offered 800 *l.* an acre for that on a building lease. That is not nearly so eligible as this; that is low-lying land near the station.

101. I understand that some of this land has been let for building purposes?—Yes.

102. Have you any objection to tell the Committee what the land was let for?—I do not know; I did not have the letting of it.

103. When was this land ploughed?—I have no knowledge as to when it was ploughed, only I can see it has been ploughed, for there are marks of furrows now.

104. Would it be of any use for getting gravel, supposing it was not built on?—Yes.

105. The gravel is valuable?—Yes; in any part of it you can find gravel.

106. Lord *Francis Hervey.*] In your opinion, from your knowledge of this locality, is what is called Cæsar's Camp so completely altered that its value as a monument is entirely destroyed?—Yes, I should think so.

107. But for the oak trees, which are properly no part of the monument, is it your opinion that the monument, as a monument, is completely ruined?—Yes.

108. There never was anything but a more or less circular ditch and a bank?—Yes.

109. The ditch has been filled up by taking away the bank?—Yes.

Mr. *Callaway.*

9 July 1877.

110. There was never anything in the inside in the nature of a Camp?—No.

111. There was nothing but a round bank?—No.

112. And that bank, and the ditch which went round the bank, are now so obliterated, that, in fact, the thing has no historical or archæological value?—I think so.

113. Sir *Philip Egerton.*] Has any levelling gone on in the Camp during the last 12 months?—No, not since November 1875.

[The Witness withdrew.

Mr. *William Michael Ogden,* Examined by Mr. *Clerk.*

Mr. *Ogden.*

114. You are a Land Surveyor?—Yes.

115. You reside at Wimbledon?—I do.

116. You know the estate of Mr. Drax?—I do very well indeed.

117. You are very well acquainted with Cæsar's Camp?—Yes.

118. You recollect the state the Camp was in before the banks were levelled, and you know the state it is in now?—Yes.

119. Have you seen it since the banks were levelled?—Yes.

120. What has been the effect of the levelling of those banks upon the appearance of what is called the Camp?—The ditch is filled up, more or less.

121. There was a circular embankment all round the Camp?—There was.

122. Is there any part of that remaining?—No, it was cut off to fill in the ditch.

123. It is a gravelly soil?—Yes.

124. The grass has not grown on the gravel?—Not yet.

125. Supposing it had been a loamy soil, would there have been the slightest vestige of a Camp remaining?—No, I should think not.

126. If the grass had grown there would not have been any trace of the Camp?—There would not have been whatever signs there are of it now.

127. We hear there are a certain number of oak trees growing round the Camp?—Yes.

128. They do not grow continuously round the Camp?—No, they do not. They are at uncertain distances.

129. Are there some spaces where there are no trees?—Yes.

130. In some places they are nearer together?—Yes.

131. Can you tell the Committee how many trees there are about?—No, I cannot.

132. Some of the trees which are standing on the embankment have a little piece of earth still remaining round them, where the earth has been shovelled round them?—Yes, they have.

133. Are there many in that condition?—That I cannot say.

134. Cæsar's Camp is the northern part of Mr. Drax's estate?—Yes.

135. Would cutting that circular piece out of the property of Mr. Drax materially affect the value of the adjoining parts?—Yes, I should think so.

136. If that were built on it would have one of the best frontages for building houses in the neighbourhood?—It would.

137. There are three houses built along that lane close up to the Camp; what is the rental value of those houses?—I do not know as a fact what their rental is exactly; it would be about 300 *l.* to 350 *l.* a year.

138. Is the whole of that circular site well adapted for building houses of the same character?—Yes, very well indeed.

139. About how many houses could be built upon that which is called the Camp of the same character as those in the lane adjoining?—About six or seven.

140. It is a particularly fine site, is not it, in point of view?—Yes, it commands the country all round.

141. And it is the fact, is it not, that water has been laid on by the water companies, so that the houses could be supplied at once?—That is so.

142. Supposing this slice were cut out, you say it would affect the value of the other parts of the property adjoining?—Yes.

 143. What

Mr. *Ogden.*
9 July 1877.

143. What would be the effect upon the value of that property if the Camp was preserved as a monument, having in view the probability of persons coming down from London to pic-nic on the Camp?—It would deteriorate the value of it, certainly.

144. Supposing in the site of the monument that part coloured pink were included, which is a circle of 50 yards round, that would include about 20 acres altogether?—That pink is about six acres.

145. Making the whole about 20 acres?—Yes, approaching 20 acres.

146. Would setting that area apart as a monument be a very serious injury to Mr. Drax's property?—It takes all the high ground.

147. It would be the best building land?—Yes.

148. The land falls away rather rapidly to the south?—It falls from the centre of the Camp rapidly to the south.

149. Therefore, it does so happen naturally that this Camp is about the best part of the site for building?—It is.

150. We hear there that one-half of the Camp and some of the land adjoining has been leased to Mr. Dixon?—Yes, that is so.

151. *Chairman*]. The Camp immediately adjoins Wimbledon Common?—Yes.

152. Wimbledon Common is public property?—It is.

153. And of course it is always open to pic-nic parties to pic-nic, if they choose to do so, on Wimbledon Common?—I think they have to get permission from the conservators.

154. They would equally have to get permission from the Commissioners to pic-nic on Cæsar's Camp?—I do not know how that would be.

155. The Camp lies on the outside of Mr. Drax's property?—Yes.

156. Do you consider if it was treated as a monument, and taken away from the rest of the property, it would diminish the value of the whole property?—Yes.

157. You say six houses could be built on it?—Yes.

158. What would be the cost of building a house somewhat of the same character as those with reference to which you have given your evidence?—About 5,000 *l.*

159. They would let for about 300 *l.* to 350 *l.*?—Yes, that is about the rent those three to which I have referred let for.

160. Did I rightly understand you to say that except for the bareness of the ground, there being no turf upon it at present, there would at present be no trace of the vallum or the ditch?—I do not think there would, not if the grass were grown over.

161. You say you do not think there would; cannot you speak more definitely?—I should not myself take particular notice of it.

162. Are you prepared to say there is no trace of the ditch?—There is a trace, because the grass has not grown over the gravel that has been thrown in, so at present there is a trace of it, so far as that goes.

163. I am speaking with reference to the inequality of the ground; do I understand you to say to the Committee, that there is no trace of a ditch now remaining?—In part of it there is no trace of a ditch; so far as the level goes, the ground is on an equal height to the surrounding parts, but in other parts it is a little lower.

164. How far round do you suppose it is of the same level?—I should think roughly, about half way round.

165. Then as regards half the ditch, there are still traces of it?—There may be a little difference of level, not much.

166. I understood you to state, as a matter of fact, that there would not be any trace of the ditch except for the gravelly nature of the soil; I wish to know what the real state of your knowledge is on the point; are you prepared to say that there is no trace of a ditch remaining?—There is no trace of a ditch.

167. You really state to the Committee there is now no trace of a ditch remaining?—Yes.

168. Mr. *Beresford Hope.*] You just said there was a trace of a ditch, because you see where it was, from the ground not being on the same level?—Yes; but what I mean by no trace of a ditch is this, no one could guess that there had been a ditch there.

169. Do

169. Do not you think that depends on people's knowledge beforehand of the general construction of such Camps?—It might.

170. *Chairman.*] Is there not a depression remaining?—In parts there is a slight depression, but not all round.

171. Earl *Percy.*] Is this Camp much frequented by visitors?—I cannot say that. I should think there are people go there. Mr. Drax has had boards put up warning people off the ground.

172. Do people generally take an interest in the archæological associations of the place?—I think not. I think the people generally go on the common.

173. You spoke of the land being available for the building of six or seven houses, at 300 *l.* or 350*l.* a-piece; the last witness gave evidence that there was land near the station, that he had had an offer for of 800 *l.* an acre; is that much more valuable land than the land on the Camp?—The land on the Camp is more valuable than the land down the hill near the station.

174. What would be realised from six or seven houses at 300 *l.* a-piece on this Camp would not be equal to 800 *l.* an acre?—No; down the hill they would put 50 or 60 houses on the same quantity of ground as they would put six or seven houses upon on the Camp.

175. In point of value the ground is not so valuable as lower down the hill?—They would put more houses on the same quantity of ground down the hill; it would bring in more money in that point of view.

176. You would reckon that the money invested in building houses ought to pay 6 per cent.?—Yes.

177. If those houses cost 5,000 *l.* for the building, at 6 per cent. that would be 300*l.*?—Yes.

178. They would let at from 300 *l.* to 350 *l.*?—Yes.

179. Say on the average, 325 *l.*?—Perhaps it would be more than that.

180. Each would cover about two acres of ground?—Nearly two acres.

181. Mr. *Sullivan.*] When did you first hear that it was proposed to include Cæsar's Camp in this Bill?—I suppose about six weeks or two months ago.

182. When did you first hear of the Bill itself?—I think I read of it last year in the papers.

REPORT

FROM THE

SELECT COMMITTEE

ON

ANCIENT MONUMENTS BILL;

TOGETHER WITH THE

PROCEEDINGS OF THE COMMITTEE,

AND

MINUTES OF EVIDENCE.

Ordered, by The House of Commons, *to be Printed,*
9 *July* 1877.

317.

Under 2 *oz.*

180

REPORT

FROM THE

SELECT COMMITTEE

ON

ARMY (ROYAL ARTILLERY AND ENGINEER OFFICERS, ARREARS OF PAY);

TOGETHER WITH THE

PROCEEDINGS OF THE COMMITTEE,

MINUTES OF EVIDENCE,

AND APPENDIX.

Ordered, by The House of Commons, *to be Printed,*
31 *July* 1877.

382.

Monday, 25th June 1877.

Resolved, THAT the Papers respecting the arrears of pay due by the Government of India to Officers of the Royal Artillery and Royal Engineers be referred to a Select Committee.

Wednesday, 4th July 1877.

Ordered, THAT the Select Committee do consist of Seventeen Members.

Committee nominated of—

Lord Eslington.
Mr. Grant Duff.
Lord George Hamilton.
Mr. Campbell-Bannerman.
Sir Walter Barttelot.
Mr. Fawcett.
Earl Percy.
Mr. Muntz.
Mr. William Holms.
Mr. Carpenter Garnier.
Mr. Denzil Onslow.
Captain O'Beirne.
Mr. Arthur Mills.
Sir George Balfour.
Sir Henry Wolff.
Mr. Courtney.
Colonel Jervis.

Ordered, THAT the Committee have power to send for Persons, Papers, and Records.

Ordered, THAT Five be the Quorum of the Committee.

Wednesday, 25th July 1877.

Ordered, THAT Earl Percy and Mr. Campbell-Bannerman be discharged from further attendance on the Committee.

Ordered, THAT Sir John Hay and Lord Frederick Cavendish be added to the Committee.

REPORT - - - - - - - - - - - - - p. iii

PROCEEDINGS OF THE COMMITTEE - - - - - p. iv

MINUTES OF EVIDENCE - - - - - - - - - p. 1

APPENDIX - - - - - - - - - - - - - - p. 115

REPORT.

THE SELECT COMMITTEE to whom was referred the Papers respecting the ARREARS of PAY due by the GOVERNMENT of INDIA to OFFICERS of the ROYAL ARTILLERY and ROYAL ENGINEERS;——HAVE considered the matters to them referred, and have agreed to the following REPORT:—

YOUR Committee have examined many Witnesses upon the matters referred to them, but as it will not be in their power to conclude their investigation in the present Session, they have agreed to report the Evidence which they have taken to the House, with an Appendix; and they recommend that the Committee be re-appointed in the next Session of Parliament.

31 *July* 1877.

PROCEEDINGS OF THE COMMITTEE.

Monday, 9th July 1877.

MEMBERS PRESENT:

Lord Eslington.	Mr. Denzil Onslow.
Mr. Arthur Mills.	Earl Percy.
Sir Henry Wolff.	Sir Walter Barttelot.
Lord George Hamilton.	Mr. Fawcett.
Sir George Balfour.	Captain O'Beirne.
Colonel Jervis.	Mr. Grant Duff.

Colonel JERVIS was called to the Chair.

The Committee deliberated.

[Adjourned till Friday next, at Twelve o'clock.

Friday, 13th July 1877.

MEMBERS PRESENT:

Colonel JERVIS in the Chair.

Sir George Balfour.	Mr. Muntz.
Mr. William Holms.	Sir Walter Barttelot.
Mr. Campbell-Bannerman.	Mr. Grant Duff.
Lord Eslington.	Lord George Hamilton.
Sir Henry Wolff.	Captain O'Beirne.
Mr. Arthur Mills.	Mr. Carpenter Garnier.
Mr. Fawcett.	Mr. Courtney.

The Viscount *Cardwell* (attending by permission of the House of Lords) and Colonel *Radcliffe*, were severally examined.

The Committee deliberated.

[Adjourned till Tuesday next, at Twelve o'clock.

Tuesday, 17th July 1877.

MEMBERS PRESENT:

Colonel JERVIS in the Chair.

Mr. Denzil Onslow.	Sir Walter Barttelot.
Mr. William Holms.	Lord George Hamilton.
Mr. Arthur Mills.	Mr. Grant Duff.
Mr. Fawcett.	Mr. Courtney.
Lord Eslington.	Mr. Muntz.
Captain O'Beirne.	Mr. Carpenter Garnier.
Sir Henry Wolff.	Sir George Balfour.

Colonel *Radcliffe* was further examined.

The Committee deliberated.

Motion made, and Question, "That the Chairman do continue his examination"—(Mr. *Muntz*)—put, and *agreed to.*

Motion

Motion made, and Question put, "That there be excluded from the evidence of Colonel Radcliffe all reference to the Despatches of the Governor General of India in Council for the purpose of supporting the opinions to be submitted to the Committee"—(Mr. *Courtney*)—The Committee divided:

Ayes, 3.	Noes, 12.
Mr. Grant Duff.	Lord Eslington.
Mr. Fawcett.	Lord George Hamilton.
Mr. Courtney.	Sir Walter Barttelot.
	Mr. Muntz.
	Mr. William Holms.
	Mr. Carpenter Garnier.
	Mr. Denzil Onslow.
	Captain O'Beirne.
	Mr. Arthur Mills.
	Sir George Balfour.
	Sir Henry Wolff.

Colonel *Radcliffe* was further examined.

Sir *James Fitzmayer* and Major General *Smyth* were severally examined.

The Committee deliberated.

[Adjourned till Friday next, at Twelve o'clock.

Friday, 20th July 1877.

MEMBERS PRESENT:

Colonel JERVIS in the Chair.

Sir George Balfour.	Mr. Courtney.
Mr. Arthur Mills.	Lord George Hamilton.
Lord Eslington.	Mr. Muntz.
Mr. Denzil Onslow.	Captain O'Beirne.
Mr. Fawcett.	Mr. Carpenter Garnier.
Sir Watter Barttelot.	Mr. Grant Duff.

The Committee deliberated.

Sir *Thomas Pears* was examined.

The Committee deliberated.

[Adjourned till Tuesday next, at Twelve o'clock.

Tuesday, 24th July 1877.

MEMBERS PRESENT:

Colonel JERVIS in the Chair.

Sir George Balfour.	Sir Walter Barttelot.
Mr. Denzil Onslow.	Mr. Muntz.
Lord George Hamilton.	Sir Henry Wolff.
Mr. Arthur Mills.	Mr. Courtney.
Mr. Fawcett.	Mr. Grant Duff.
Captain O'Beirne.	

The Committee deliberated.

Sir *Frederick Halliday* was examined.

The Committee deliberated.

Sir *Frederick Halliday* was further examined.

The Committee deliberated.

[Adjourned till Tuesday next, at Twelve o'clock.

Tuesday, 31*st July* 1877.

MEMBERS PRESENT:

Colonel JERVIS in the Chair.

Mr. Arthur Mills.	Lord Eslington.
Mr. Denzil Onslow.	Lord George Hamilton.
Sir George Balfour.	Mr. Muntz.
Mr. Carpenter Garnier.	Mr. Courtney.
Lord Frederick Cavendish.	Captain O'Beirne.
Sir Walter Barttelot.	Mr. Grant Duff.
Mr. Fawcett.	Sir Henry Wolff.
Sir John Hay.	

The Marquess of *Salisbury* (attending by permission of the House of Lords) was examined.

The Committee deliberated.

Motion made, and Question, "That the Committee do report the Evidence taken before them, and ask leave of the House to be re-appointed next Session"—(Lord *Eslington*)—put, and *agreed to.*

Report, in accordance with the foregoing Resolution, read the first and second time, and *agreed to.*

Ordered, To Report, together with the Minutes of Evidence, and an Appendix.

EXPENSES OF WITNESSES.

NAME OF WITNESS.	Profession or Condition.	From whence Summoned.	Number of Days Absent from Home, under Orders of Committee.	Allowance during Absence from Home.	Expenses of Journey to London and back.	TOTAL Expenses allowed to Witness.
				£. s. d.	£. s. d.	£. s. d.
Lieutenant General Sir James Fitzmayer, K.C.B.	General Officer	Southampton	2	2 2 –	2 12 –	4 14 –
Lieutenant Colonel Gordon, R.H.A.	Lieutenant Colonel, R.H.A.	Romney	2	2 2 –	1 9 –	3 11 –
				TOTAL £.		8 5 –

MINUTES OF EVIDENCE.

LIST OF WITNESSES.

Friday, 13*th July* 1877.

PAGE

Right Honourable Edward Viscount Cardwell - - - - - - - 1
Colonel R. P. Radcliffe, R.A. - - - - - - - - - - 16

Tuesday, 17*th July* 1877.

Colonel R. P. Radcliffe, R.A. - - - - - - - - - - 21
Lieutenant General Sir James Fitzmayer, R.A., K.C.B. - - - - - 36
Major General J. H. Smith, C.B. - - - - - - - - - - 36

Friday, 20*th July* 1877.

Major General Sir Thomas T. Pears, K.C.B. - - - - - - - - 48

Tuesday, 24*th July* 1877.

Sir Frederick James Halliday, K.C.B. - - - - - - - - - 79

Tuesday, 31*st July* 1877.

The Most Honourable Robert Arthur Talbot, Marquess of Salisbury - - 103

MINUTES OF EVIDENCE.

Friday, 13*th July* 1877.

MEMBERS PRESENT:

Sir George Balfour.
Sir Walter Barttelot.
Mr. Campbell-Bannerman.
Mr. Courtney.
Mr. Grant Duff.
Lord Eslington.
Mr. Fawcett.
Mr. Carpenter Garnier.
Lord George Hamilton.
Mr. William Holms.
Colonel Jervis.
Mr. Arthur Mills.
Mr. Muntz.
Captain O'Beirne.
Sir Henry Wolff.

COLONEL HENRY JERVIS-WHITE-JERVIS, IN THE CHAIR.

The Right Honourable EDWARD VISCOUNT CARDWELL (attending by special permission of the House of Lords), Examined.

Chairman.

1. YOUR Lordship has held high office under successive Governments, and in 1872 you were Secretary of State for War?—Yes.

2. As Secretary of State for War, you were entrusted with the administration and Government of the Army and Land Forces of every kind, denomination, and description whatever; that is the wording, I think, of the Patent?—I suppose that is a correct description. I did not hold by Patent but by the delivery of the seals.

3. In fact, you were responsible to the Cabinet and to Parliament for the organisation, discipline, and efficiency of every branch of the British Army, wherever it might be stationed?—That is a broad way of stating it, and I suppose it is generally correct; but you are perfectly aware that the India Office (I mention it with a view to this particular controversy) had the whole finance of India under their management, and that I had not.

4. But nevertheless you were responsible for the organisation and efficiency of that Army, though it was in India?—I stated in 1874, and it will be found in this Blue Book which I have before me, which is the Report of the Committee on East India Finance, that I consider that the organisation of the British Army is a matter for the consideration of the Crown and the responsible advisers of the Crown at home; and of course the Secretary of State for War has a special responsibility in that respect; and I do not hold that measures which are deemed by the Government to be necessary for the organisation of the British Army can be suspended out of any

Chairman—continued.

consideration specially and only applicable to India.

5. The Government collectively, I believe, is responsible for the acts of each member of it?—Certainly.

6. And no change in the organisation of the Army can therefore be made without being previously submitted to and agreed to by the Cabinet?—In the government of the country all matters of great importance are considered by the Cabinet; matters which are of less importance are dealt with in the several departments.

7. In "Hansard" you are reported to have stated as follows, on the 22nd of February 1872 in the House of Commons (that was when you introduced the various changes in the Army):—"Then I come to the Royal Artillery and the Royal Engineers, and in their case it has long been evident that something must be done to secure better promotion. The Committee presided over, I believe, by my Right honourable friend the Member for Pontefract (Mr. Childers), took up this question a few years ago, and recommended a system of retirement for these corps. But if a better system of retirement was needed before the abolition of purchase, there could be no doubt it was still more necessary now, because if you place those two distinguished corps at a disadvantage with regard to promotion as compared with the other branches of the Army, men would not be so willing to enter those corps, but when entry into the whole Army is equally free to all, it is manifest that if you expose them

Right Hon. Viscount *Cardwell.*

13 July 1877.

Chairman—continued.

to disadvantes as compared with the others, you will have no Artillery and no Engineers. That being the case, we have taken the subject into consideration." "In 1870 I made a reduction in the number of subalterns, with a view particularly to the question of retirement, because it must be evident to every one, that when you have to provide retirement for a certain number of men, the more you bring in at the bottom the more you have to find retirement for at the top; I diminished to a certain extent the number of subalterns with an express view of the question of retirement. I asked Mr. Vivian, whose absence I much regret, to look into the question with the Accountant General for the purpose of reviewing the subject, and of considering the best mode of providing for the Artillery and Engineers. They did so, and reported that it would be far better to pay men for staying in the Army than to pay them for going out. If you, then, invite men to retire voluntarily at an early period, though the annual payment in the case of a young man would be small, it would amount to a large sum if capitalised, and you would probably run the risk of losing those only whose services were valuable in the market; and of retaining those with whom you might not have been unwilling to part. We have given the subject very careful consideration. Last year I asked the House to vote, and they did vote, a sum of 5,000 *l.* to be expended in exceptional retirement. This was because there was an exceptional pressure at a particular place in the list, due to the large number of cadets who entered the service immediately after the Crimean War and the Indian Mutiny. I do not mean to say that an exceptional remedy may not be the best mode of meeting an exceptional case, but I concur with the Government Actuary and Mr. Vivian, that it is better in a seniority service to proportion your ranks than to pay men annuities. It is more economical and more satisfactory. But how is this to be done with respect to the Artillery? Now what is the Artillery? Is the command of a battery of Artillery a post not worthy to be filled by a field officer? In France and Russia, I understand, the command of a battery in a field is assigned to a field officer, and though in Russia it is placed under a captain, yet a captain there is a mounted officer. We think that the command of a battery in the field, looking to the immense importance of Artillery in the warfare of the present day, and looking at the Order recently issued by the Commander in Chief, that Artilllery is to act more independently for the future, we think that the command of a battery may very properly be assigned to a field officer. Having, by the expenditure of 5,000 *l.*, voted to us for that purpose last year, and by the introduction of a certain number of lieutenant colonels of Artillery into the Reserve Forces, brought the state of promotion in the Artillery into a more satisfactory condition, we now propose to establish the rank of major in the Artillery, with the pay and position similar to that of a major in the Line. In the case of the Royal Engineers the matter is much simpler. No question arises there as to whether a battery is a field officer's command or a captain's command. The nature of the service of the Royal Engineers admits of proportioning your ranks, so that you may give what promotion you desire. We propose, therefore, to give them

Chairman—continued.

a promotion equivalent to that which I have spoken of with regard to the Royal Artillery"?—I have got a copy of that speech before me, and you have omitted passages occasionally; but all that you have read appears to me to be quite accurate.

8. You referred to a committee at the War Office presided over by Mr. Vivian?—Yes.

9. That was known as "The War Office Committee Promotion in Ordnance Corps," and the Report was presented to Parliament in 1870?—I presume that you have referred, and that your question assumes an accurate knowledge.

10. The advisability of promoting the first captains of Artillery to be majors was then strongly pressed on the Horse Guards by that committee?—I presume so.

11. But the witnesses representing the Horse Guards were rather adverse to that; I allude more particularly to the evidence of Colonel Gambier, the Adjutant General of Artillery?—I would suggest in dealing with a document seven years old, that it would be better to have the document than to ask me about its contents.

12. The proposal, therefore, which you made in 1872 was one which had been maturely considered for a considerable period?—One of the first things that I had to consider at the War Office was the position of the Royal Artillery and the Royal Engineers, because it had been very much the subject of consideration in Parliament, and a Committee of the House of Commons had been appointed, of which my friend, Mr. Childers, I think, was the Chairman, and they had recommended a carefully devised scheme of retirement in order to expedite promotion in the Artillery and the Engineers. It appeared to me that, with regard to the Artillery, which, from its numbers, was of course the main subject of consideration, it was possible to increase the efficiency of the Artillery, to increase the rapidity of promotion, and to do this without any such large additional expenditure from the public money as had been contemplated by the Committee of the House of Commons. Accordingly, in the year 1870, we began by diminishing the number of subalterns; because, of course, if you do not mean to have seniors to promote, you must diminish the number of juniors that you introduce into the service. In the year 1871 we took another step; we found that the number of cadets who entered the Royal Artillery at the time of the Crimean War and the Indian Mutiny, had made a block at the period which corresponded to that sudden increase, and we asked Parliament for and obtained a special vote of 5,000 *l.* for the purpose of getting rid of that block. Then it remained to consider what it was desirable to do further in order to bring the state of promotion in the Royal Artillery to a certain scale which had been considered in the time of my predecessor, and which gave what were called the standard periods. In the time of my predecessor a certain scale of promotion had been very much spoken of, and these had been called the standard periods; to be captain after 12 years, first captain after 18 years, lieutenant colonel after 25 years. Upon a full consideration of the case, and more especially, and I think I ought to say principally, bearing in mind the great importance of the command of a battery in the field, which appeared to be at present fully equal to that of the command of half a battalion

in

Chairman—continued.

in the field, it was thought right that the rank of major should be given to the commander of a battery of Artillery; so that both, in order to increase the efficiency of the Artillery, and also to solve in the best manner, as it appeared, the difficulty about the rapidity of promotion, the rank of major in the Artillery was introduced in the year 1872.

13. Your Lordship is aware that a motion hostile to your proposition was moved in the House of Lords on the 18th of June 1872?—I do remember that.

14. It was moved by Lord Abinger, "That a humble Address be presented to Her Majesty praying that a Commission may be issued to inquire into the alleged injustice towards the captains of the late purchase corps, occasioned by their proposed supersession by the first captains of the scientific corps, and further to inquire whether the intended advancement of the first captains of the Royal Artillery and Engineers to the rank of field officers would have the effect of removing the slowness of promotion in those corps, and as to the best means of remedying the same; and that in the meantime, and until the Report of the Commission, the publication of the Royal Warrant on this subject be delayed;" and the Address was carried against the Government by three. On the 27th of June Lord Bessborough brought up the following Royal answer to the Address: "I have received your Address praying that a Commission may be issued to inquire into the alleged injustice towards the captains of the late purchase corps, occasioned by their supposed supersession by the first captains of the scientific corps; and further to inquire whether the intended advancement of the first captains of the Royal Artillery and Engineers to the rank of field officers would have the effect of removing the slowness of promotion in those corps, and as to the best means of remedying the same; and that in the meantime, until the Report of the Commission, the publication of the Royal Warrant be delayed. I have been advised that the establishment in the Royal Artillery and Royal Engineers of the rank of major, already existing in the other branches of the service, having been decided upon after full consideration, and provision having been made for carrying the arrangement into effect, the revocation or delay of that arrangement would be inexpedient;" may we conclude from that that the Address had received the careful attention of the Cabinet, and, therefore, that it was not simply your proposal, but that it was done with the full approval of the Cabinet, when the proposal was finally carried out?—I presume that that is a safe inference. I am the person chiefly responsible for it, and have no desire to avoid any portion of that responsibility; but such an act as that, of course, must be taken to be the act of the Government.

15. On the 28th of June, the day after the answer to the Address, Major General Sir Percy Herbert drew attention to the additional expenditure to India which this measure would necessitate, and moved for a Select Committee, "To inquire whether the intended promotion to the rank of regimental majors of first captains of Artillery and Engineers, at an annual cost to this country of over 20,000 *l.*, and at a further addition to the Indian military expenditure not yet stated to Parliament, is justified by any commensurate advantage to the public service;" I think, if I am right, that motion was withdrawn without being seconded?—I do not exactly recollect all that occurred. I remember that Sir Percy Herbert moved in the matter, and without any success at all, so far as my memory serves me; and I have no doubt that the question you have put to me is accurate, and has been founded on reference.

Chairman—continued.

16. Now, upon these distinct declarations coming from you in Parliament in your position as Secretary of State for War, could the first captains of the Royal Artillery and Royal Engineers, in whatever part of the world they were quartered, have come to any other conclusion than that they were to be placed on a footing equivalent to that of majors of the Line?—My impression is that it requires a great deal of care in answering your question when you say, "in whatever part of the world," because there is this distinction between different parts of the world: those who are serving in India are paid from the taxes of India; those who are serving in any other part of the world are paid from the taxes of this country; and I apprehend that it is the universal practice in explaining the Estimates to the House of Commons to speak with more especial reference to that which is the subject-matter of debate, namely, the Estimates of this country.

17. Your Lordship said this, in reply to General Herbert: "That his right honourable and gallant friend opposite had made one or two curious mistakes during the course of his speech, and he appeared to be much surprised that, when the Estimates had been framed, no provision was set down in them for majors of Artillery and Engineers. He would remind him, moreover, that when the Estimates were framed no such rank was in existence, and that it had been found necessary to frame them in accordance with the Royal Warrants then in force. His right honourable and gallant friend had taken upon himself to say that the alteration had been smuggled into the Estimates (Major General Sir Percy Herbert said, 'He did not say so'). That was all very well, but it was the old story of 'Don't duck him in the horse-pond.' He would remind his right honourable and gallant friend that, so far from smuggling it into the Estimates, his explanations regarding it were very copious, and required three pages of Hansard; and if there had been no discussion, it was not his (Mr. Cardwell's) fault, but the fault of his right honourable and gallant friend himself. What had his right honourable and gallant friend done since the time when he (Mr. Cardwell) had introduced the matter? Why, nothing. Yet, neglecting to discuss the matter at the time, his right honourable and gallant friend, after an interval of four months, came forward to ask for an inquiry. Nothing was more common than to ask for an inquiry when the matter was new, and anything required examination; nothing less common than to ask for an inquiry upon a subject four months after the House had decided upon it. The fact however was, that the subject had already been inquired into. A Committee, of which his right honourable and gallant friend was a member, sat upon it in 1867, and the recommendations made by that Committee involved a larger expenditure than that which his right honourable and gallant friend now regarded

Right Hon. Viscount *Cardwell.*

13 July 1877.

Right Hon. Viscount *Cardwell.*

13 July 1877.

Chairman—continued.

regarded as excessive. His right honourable and gallant friend had complained, in his motion, of the expense which the Government scheme would entail on the Indian revenues, but, on inquiry at the India Office, he learnt the proposal made by the Government would not involve any considerable additional expenditure. When his right honourable and gallant friend spoke of the impolitic expenditure and faulty organisation of the scheme, he evidently overlooked the fact that the expenditure was smaller than that which he had himself recommended. The truth was, that it was a fair act of justice to the Artillery and Engineers that the responsible position which they held should be filled by field officers. The question of supersession he did not feel disposed to enter on at any length, since it must be evident that in an army in which promotion ran not in one but in several lines supersession must be of constant occurrence; but as his right honourable and gallant friend had referred to particular cases of supersession, he might mention the case of a captain of the Bengal Artillery, who had 27½ years' service, who had served through the Punjab campaign, who had received a severe gunshot wound, and who was still a captain. Supersession, he would remind his right honourable and gallant friend, was felt quite as much by one man as by another, and it was not the more agreeable because it had been effected by purchase or privilege, or by a combination of both. Those who served in the Engineers or Artillery had quite as good an objection to be superseded as other men, and he was prepared to defend the arrangement made by the Government on two grounds, the first and main ground being that of organisation. He contended that the commands of field batteries and garrison batteries were services which ought to be in the hands of field officers; and, in the second place, it was, he maintained, an act of bare justice to the Artillery and Engineers to give them the promotion which they would obtain under the proposal of the Government. He did not, he might add, believe that there was any general feeling in the Army hostile to the course which the Government proposed, and it would indeed be a matter of regret if justice could not be done to two eminent branches of the military service without creating any such feeling." Does not your Lordship think that at that time these officers that you had made special reference to, the men then in India, when, on inquiry at the India Office, you found that it would be, if not a considerable addition, still an addition to the expenditure in India, naturally did consider that that addition would be to their benefit?—I do not know what they might naturally consider. I had better tell you, perhaps, if you now need to know it, because I stated it when I had the honour of being examined before the Indian Finance Committee, what my impressions really were. If you will turn to the Report in the Blue Book of 1874, at Question 1695, you will see there that I was asked by my honourable and gallant friend the Member for Kincardineshire this question: "I merely mention the circumstance that the increase was given in a form which did entail upon India a further charge; now, with regard to the Artillery majors, I distinctly understood that you had seen, or been informed, that the arrangements connected with the contract allowance would be so made as to

Chairman—continued.

enable the Artillery major to receive the extra pay without entailing upon India any increased expense"? and my reply was: "No, I did not go so far as that; I stated the other day that I did not go to the bottom of the contract allowance question, which it was no part of my business to do; what I understood was, in the first place, that it was our purpose to give to the commanding officer of a battery of Artillery the rank of field officer, and that there were modes known to the Government of India by which, if we framed the Royal Warrant in the way in which we actually framed it, namely, giving a very slight increase of pay, and giving the rest as command pay, India would be able to accommodate her arrangements so as to avoid any considerable increase of expense; and my understanding, so far as I did understand it, was that the advantage to India would be acquired by a saving in that system of contract allowances." I adhere to that answer now.

18. Then we can, I suppose, draw from that the conclusion that you had had communication with the India Office on the subject previous to issuing your Warrant, and, if I mistake not, from the papers which have been laid before the House, you had very clear communication with the India Office previous to your ever bringing the matter before Parliament?—Certainly.

19. On the 5th of February 1872 the following letter appears to have been addressed to you, at least to the Under Secretary of State for War: "Sir, I am directed by the Secretary of State for India in Council to request that you will bring to the notice of the Secretary of State for War, that of the various changes in the organisation of the British Army which either have been actually made from time to time, or which may be now in contemplation, many will inevitably affect, for good or evil, the financial interests of British India; and I am to express a hope that all proposed measures of this nature may be not only considered by Mr. Cardwell in their possible effect upon the military expenditure of that country, but that they may be referred for the expression of an opinion on the part of the Secretary of State for India in Council before being finally adopted. (2.) The Duke of Argyll has been led to urge this point upon the attention of Mr. Cardwell in consequence of information having reached him that it is in contemplation to introduce a change in the organisation of the Royal Artillery, which, whatever may be its financial effects in this country, would lay upon the finances of India a large additional burden, of the necessity of which his Grace is not at present in a position to form an opinion. (3.) His Grace has reason to believe that it is proposed not only to restore to the corps of Artillery the grade of major, which was deliberately abolished in 1827, as being unsuited to that arm of the service, but to substitute that grade regimentally for that of first captain. (4.) The immediate effect of this measure on India would be to increase the pay of 120 officers by about 420 *l.* per annum, thus making an immediate addition of 50,000 *l.* a-year to the Indian military expenditure, without calculating the effect that would be produced if, as it is presumed would be the case, a similar course were followed as regards the Engineers. (5.) The Duke of Argyll cannot doubt but that Mr. Cardwell will recognise the importance of regulating military arrangements

Chairman—continued.

arrangements in this country, as far as sound principles of military organisation will admit, by a reference to the interests of the Indian no less than to those of the more wealthy British taxpayers, and that neither the particular measure to which I have referred, nor any other measure having a similar bearing on the interests of the former, will be finally sanctioned until the views of the Secretary of State in Council have been recorded upon the subject." The reply from the War Office, signed by Mr. Vivian, Under Secretary of State for War, dated 8th of February 1872, is this: "Sir,—I am directed by the Secretary of State for War to acknowledge the receipt of Major General Sir T. Pears's letter of the 5th instant, and in reply, I am to request that you will state to the Secretary of State for India in Council that Mr. Cardwell admits that Indian financial considerations ought not to be overlooked in dealing with questions of military expenditure. He has always acted on this principle, and more especially in the reductions, both as respects Artillery and Cavalry, which were made when the large financial deficit of India was discovered in 1869–70. But he must, at the same time, consider that what is just and expedient, or even necessary for the British Army, cannot be set aside, because the peculiar arrangements of India render the change more expensive in that country than in this. The financial arrangements of India and the military allowances are in the control of the Secretary of State for India in Council, and if the allowances are too large, the Secretary of State in Council can reduce them, only considering the opinion of the Secretary of State for War, so far as the fair position of officers of the British Army may require. In the particular case of majors of Royal Artillery, which Mr. Cardwell gave the Duke of Argyll to understand was under consideration, Mr. Cardwell believes that the contract allowances of captains of mounted batteries are so beneficial in a pecuniary sense to the holders, being much in excess of what is required for the efficient maintenance of the batteries, as practically to make the emoluments of the field artillery captain greater than those of a major of the line, and he sees no reason therefore why, if the rank of major shall be established in the Royal Artillery, the expense to India need be increased by the sum of 50,000*l.*" Can we draw any other inference from this letter of your Lordship's and the statement you made just now, than this, that, whilst you considered it might add to a certain extent to the expenditure of India, still you considered that what was just and expedient or necessary for the British Army could not be set aside, because it might add a slight addition to the expenditure of India; and further, that you expected that the Secretary of State for India would consider the fair position of officers of the British Army who were then serving there?—I do not see anything unreasonable in the deduction of those inferences from that letter; but I adhere to that letter exactly as it stands.

20. You mentioned in your evidence before the India Finance Committee with reference to these matters of contract, that you were distinctly informed that if the India Office took those contracts into their own hands they would make a profit sufficient to indemnify them for what might be the extra cost to them, but that even if that was not quite sufficient you nevertheless considered that these men ought to be placed on an equivalent footing with their brother officers of the Line?—I wish to repeat what I believe I have already read from my former evidence and what I certainly clearly stated in 1874, that the question of the detail of the Indian pay and allowances was not in my hands, and I did not profess to understand it. I did understand that the India Office gave contract allowances, which, so far as I knew their nature, appeared to me to be objectionable, and which involved a large expenditure from Indian revenue. I thought it was very desirable that they should consider how far the present opportunity enabled them to deal with that question, and I did understand, as I have already stated to the former Committee, that either wholly, or in great part, the reduction of those contract allowances would indemnify them for the increased expenditure.

21. Were you ever informed that when the British batteries went to India at the time of the Mutiny, Lord Panmure, at the request of the Field Marshal Commanding-in-chief, had objected to the system of contracts being extended to the British Artillery that went to India?—I cannot say that I ever heard that particular fact; but I did know that objection had been entertained at the War Office to the system of contract allowances being extended to the Royal Artillery.

22. I allude particularly to a letter of Lord Panmure's of the 29th of January 1858, inclosing a letter from the Adjutant General, Royal Artillery to the Military Secretary, Horse Guards, of the 13th of January 1858, and which was acknowledged by the Secretary to the East India Company, on the 12th of February 1858, which letters are to be found in the correspondence, "East India Artillery," in Parl. Paper 1859?—I presume that you have the documents before you while you are putting the question. I do not dispute it, but I cannot add any testimony on the subject.

23. Were you informed that it was soon after forced upon them by the Government of India, and that the Government of India objected to the sending out of stores from England for their maintenance on account of the deterioration of the wood and leather when kept in store; I refer to a Parliamentary Return by the late Lord Herbert with reference to this matter in 1860, and to the proceedings of the India Office at that time?—I can only say again that I presume from your having the documents before you in asking me these questions, that it is so, but I can give no testimony as to what passed in the War Office in 1858 and 1859.

24. When you raised this question of the contracts this information was not furnished to you?—I could not say that it was or was not. I have told you my own impression, that objection had been taken in the War Department to the extension of the contract allowances to the Royal Artillery.

25. The India Office appears to have suddenly found out by accident that your Lordship was about to make certain changes in the organisation of the Army, judging from the correspondence?—I really cannot undertake to say whether, in those previous conversations which had taken place before those letters were written, it was

Right Hon. Viscount *Cardwell.*

13 July 1877.

Chairman—continued.

Sir Thomas Pears who first mentioned the subject, or Colonel Middleton and Sir John Adye, who represented me. I was not present at these conversations, and I really do not know who raised the question first; but I know that, as soon as I knew about the contract allowances, it appeared to me that it was a very desirable thing that the Indian Government should take the opportunity of considering how far it was necessary to continue what appeared to me so very objectionable.

26. Your Lordship is aware that great reductions of military expenditure took place in India in the years 1869-71, which I believe you assisted in carying out?—Certainly.

27. And the one subject more than another that formed the subject of inquiry at that time was that of the Royal Artillery in every detail. All the documents I find were forwarded to the War Office for your consideration and that of the Commander in Chief; I refer to Parl. Paper, "East India Expenditure, 1870"?—I have no doubt, as you refer to documents before you, that you are speaking accurately; but I really cannot undertake to tell you with any certainty what I did see and what I did not see in the year 1869 with reference especially to Indian finance, which, I beg you will understand, never was under my control or under my administration.

28. Your Lordship is not aware that at that time the Indian Office carefully avoided going into this very question which you raised in 1872?—No, I rather demur to your saying that I raised it; because if any argument is to turn upon that, I tell you that I do not know exactly how it was raised. I know I was told that the Indian system of finance would cause a very great expenditure if it were applied to the promotion of first captains of the Royal Artillery to be majors as the administration of the Indian finance then stood. I had no authority whatever myself to interfere with the administration of Indian finance, but I had authority to say, and I did say, that that which was necessary for the efficient organisation of the Artillery could not be postponed or put aside, because the particular system of pay and allowances in India rendered it a great charge upon Indian finance; and I said, if that is the case, let those who have the control of it, and who are responsible for the administration of it, consider whether that system is susceptible of improvement or not.

29. I did not wish to say that you had raised that point; I was merely glad to give you an opportunity to explain that you had not, because it is so implied by the India Office letter?—I do not say that I did, or that I did not; I have told you what my sentiments are and always have been; but whether the original mention of the question came from Sir Thomas Pears, or from Colonel Middleton and Sir John Adye, in a conversation at which I was not present, I do not undertake to say.

30. On the 5th July 1872, your Lordship issued the Warrant with reference to the promotion of these officers?—Yes.

31. And it was therein stated, with regard to the pay of these officers, that the majors of the Royal Horse Artillery should receive 18 *s.* per diem; of field and garrison brigades, 14 *s.* 6 *d.* per diem, in addition to 1 *s.* 6 *d.* command pay, being pay equivalent to that of majors of Cavalry or Infantry of the Line?—Yes.

Chairman—continued.

32. Your object in that, I believe, was to enable the Indian Government, according to their complicated modes of payment, to pay these officers on an equivalent footing in India to that of majors of the Line?—My notion was that the officers were to get, so far as our Estimates were concerned, the pay of majors of the Line. I should have preferred giving it to them directly, without any distinction of the 16 *s.* into 14 *s.* 6 *d.* and 1 *s.* 6 *d.*; but in all these long conversations with Sir Thomas Pears, on behalf of the India Office, it came out that it would be more convenient to them, and in his judgment leave their hands more free, if we gave the 16 *s.*, in the form of 14 *s.* 6 *d.* and 1 *s.* 6 *d.*; and as my object was to obtain the Warrant with the sanction of the India Office, and as I found that by that means their objection would be removed, I consented to that arrangement.

33. Will you allow me to refer your Lordship to a letter addressed by you, or rather by the Under Secretary for War, to the Treasury on the 23rd May 1872; it is in the Report of the Royal Commission on Army Retirement, 1876, at page 244; that letter thus describes very accurately what you have stated just now: "Having thus shown the steps which Mr. Cardwell proposes as regards the higher ranks of the Artillery and Engineers, I am next to explain the measures which he considers necessary for securing due efficiency in the ranks below lieutenant colonel. At present the regimental rank of major does not exist in either corps. In the Artillery a battery is commanded by a captain, who has under his orders a second captain and three subalterns. Having in view the number of men commanded, the value of the material in his charge, the independent action of a battery in actual warfare, and the great importance generally of the duty, it is considered that the officer commanding a battery of Artillery should hold the regimental rank of major. Mr. Cardwell, therefore, proposes to convert the first captains into substantive majors, a rank which they will then hold for about the same period of service as it is held by majors of Infantry. These majors are, in effect, to have 19 *s.* 6*d.* a day if commanding Horse Artillery batteries; and the pay of Infantry majors, if commanding batteries of Foot Artillery; but in order to avoid certain complications, when these officers may serve in India, it is intended to give them pay at 18 *s.* (being the pay of a captain and brigade major) and 14 *s.* 6 *d.* respectively, making up the difference to 19 *s.* 6 *d.* and 16 *s.* by the addition of 1 *s.* 6 *d.* a day as command pay while actually in command of batteries;" would your Lordship have in any way taken the trouble to have divided these sums into these amounts of 14 *s.* 6 *d.* and 1 *s.* 6*d.* if you had agreed with the India Office that the officers stationed in India should have no increase whatever beyond their rate of pay as captains?—I must repeat that I was not responsible for the finance of India, and that the change that was made from 16 *s.* to 14 *s.* 6 *d.* and 1 *s.* 6 *d.*, was done for the purpose of facilitating, as I was told it would facilitate, the arrangements of the India Office with respect to their finance. If you ask me what I think was the true inference to be drawn from fixing 14 *s.* 6 *d.* and 1 *s.* 6 *d.*, I consider that if they were to follow at all in our footsteps, when we raised the 12 *s.* 1 *d.* which had been

Chairman—continued.

been the pay of a first captain, to 14*s.* 6*d.*, we made a fair increase in the pay; but the precedent would go, as it appears to me, to this, that a portion was to be done by allowance.

34. The question is this: whether your Lordship would have taken the trouble to have made this division had you agreed with the India Office that these officers should have no increase of pay whatever, or allowances, beyond what they held as captains?—My answer is, that I never went into the matter of the detail of India finance at all. I assumed that they would be treated as field officers when they had become field officers; but I purposely consented, though reluctantly, to alter the 16*s.* into 14*s.* 6*d.* and 1*s.* 6*d.*, because, by so doing, I removed the objection of the India Office to the issue of the Warrant. If I had had my way, that which, as I understand, has now been done, would have been done at first, namely, the contract allowances would have been done away with; and what was done as from, I understand, the 1st of April 1875, would have been done in 1872; but I could not have my way, and not being able to command exactly what I desired, I took what I could get.

35. On the 18th July 1872 those Warrants were forwarded to India, and as regards the question of these officers, the following instructions were sent with them: "The India pay and allowances of regimental majors of Royal Artillery and Engineers will be the exact amount now drawn by first captains of those corps. The furlough pay of regimental majors and the retired pay in the case of officers retiring on the full-pay pension of their rank, under Indian regulations, will be the British pay laid down in the Royal Warrants of the 5th July 1872. The pay of officers of Royal Artillery and Royal Engineers hitherto holding the rank of second captain will remain unaltered. The Governor General in Council further notifies that, with a view of improving the position of officers of Royal Artillery commanding garrison batteries, the allowance for that command will be increased from 30 rupees to 100 rupees per mensem. The increased rate of command allowance sanctioned for garrison batteries of Royal Artillery will come into effect from the 1st August 1872." On the 11th of July 1873, a letter was written to the War Office from the India Office, which is as follows: "Sir,—I am directed by the Secretary of State for India in Council to acknowledge the receipt of Mr. Campbell's letter of the 15th June, forwarding copies of Warrants which it is proposed to submit for the approval of Her Majesty, having for their object the improvement of the condition of the officers of the Royal Artillery and Royal Engineers, and stating that, in addition to the measures therein contemplated, Mr. Cardwell has also found it necessary to decide that, in all cases in which officers of the Royal Artillery of and above the rank of lieutenant colonel, shall hold appointments away from their brigades, they shall be retained as supernumerary to the establishments of their brigades whenever the total service of the senior officer below that rank shall reach 25 years; and also that all officers below the rank of lieutenant colonel holding appointments away from their batteries, shall be supernumerary to the fixed establishment of their rank whenever the necessity of the service shall require it; it

Chairman—continued.

being observed, however, that the more sparingly this practice is adopted the less difficulty will arise in future in providing promotion for the corps." And that letter further states that the Duke of Argyll does not consider it necessary to increase the pay of the first captains of Artillery in India. That letter being dated the 11th of July, was not written until six days after the issue of your Warrant, and nearly a month after the letter which had been addressed by you to the India Office, stating the purport of the Warrant which you intended to submit to Her Majesty?—So it appears.

36. The letter which the Under Secretary of State for War wrote on the 15th of June 1872, is as follows:—"I am directed by Mr. Secretary Cardwell to transmit to you, for the information of the Secretary of State for India, copies of Warrants which he proposes to submit for the approval of Her Majesty, having for their object the improvement of the condition of the officers of the Royal Artillery and Royal Engineers." Was any reply received to that communication previous to the issue of the Warrant on the 5th of July 1872?—I can only presume, as this has been moved for in Parliament, and the documents have been produced from the office, that they have produced them all.

37. Therefore, when you issued the Warrant on the 5th of July, you had no reason to doubt that the India Office agreed to the object of the Warrant, which was the improvement of the condition of those officers?—Certainly; if you draw that inference, I do not see any reason particularly to dispute it.

38. Do you think it natural, after what had taken place in the House of Commons, that these officers stationed in India should have endeavoured to represent, through the proper channels, that they considered they were entitled to the pay of their rank?—I always have understood that there are modes, perfectly well understood in the Army, by which an officer or a private, if he thinks he has been in any way injured, may communicate it through the proper channels to the highest authorities.

39. You were Secretary of State for War at that time; were you aware that applications were forwarded to the Government of India for its favourable consideration by the Commander in Chief in India in the following terms: "I have the honour, by the desire of the Right honourable the Commander in Chief, to forward, for the favourable consideration of the Government of India, the inclosed letters from the officers of the Royal Artillery named in the margin, petitioning to be placed on the same footing as majors of Her Majesty's Infantry as regards pay. I have, &c. (signed) *Fred. Thesiger*, Adjutant General." That is dated "27th December 1872, Head Quarters, Lawrencepore"?—The best way of ascertaining whether such documents were received at the War Office has, I imagine, been taken, namely, that you have moved for such documents as they have got, and they have produced them. It is very difficult for me to state, at an interval of some years, whether I saw any such documents. All I can state is whether I remember having seen them. I do not remember having seen them; but an universal negative is a very dangerous thing when a person is at the head of an office whose correspondence is so voluminous, as you are perfectly

Right Hon. Viscount *Cardwell.*

13 July 1877.

Chairman—continued.

well aware the correspondence of the War Office is.

40. In the case of these officers, as a portion of Her Majesty's Army, all confidential returns respecting their discipline or grievances were supposed to have been forwarded to the War Office; is not that so?—I presume so.

41. In putting these questions to your Lordship, I hope you will excuse my putting them merely as a matter of form, because I believe they never did reach the War Office; but we shall be glad to have your statement that you do not remember them?—I can perfectly well state that I do not remember them; but you must not infer from that that I necessarily should have remembered them if they had been received. I cannot go so far as that.

42. The Government of India replied, on the 14th of May 1873, to the Commander in Chief in India as follows:—"Sir. With reference to your letter of the 27th of December 1872, forwarding memorials from officers of the Royal Artillery, petitioning to be placed on the same footing as majors of Her Majesty's infantry as regards pay, I am desired to acquaint you, for the information of the Commander in Chief, that these representations will be at once forwarded for the consideration and orders of Her Majesty's Government." Objection was taken in that letter to the tone of one of the applications, and the officer was rebuked for an expression which he had used. This expression is to be found on page 12 of the Memorials, paragraph 11, and it is as follows: "I cannot but think that, in the present case, your Lordship will, after further consideration, deem that sufficient cause exists to modify what has raised such misgivings and despondency in the hearts of some the most zealous officers, and thus strengthen the attachment of a valuable body of gentlemen to the service of Her Most Gracious Majesty." From the correspondence you will find that the Governor General informs the Commander in Chief that the representations will be at once forwarded for the consideration of Her Majesty's Government, and that the Commander in Chief was under the impression that they had reached your Lordship, and that for 18 months these officers were kept without a reply from the Commander in Chief because he was awaiting your Lordship's answer to these representations?—I have understood you to say that your own opinion is that they never did reach the War Office. I can say that I do not remember their ever reaching the War Office, but beyond that I cannot go.

43. Perhaps your Lordship would allow me to ask this question, whether it is not the fact that all confidential reports regarding the efficiency, discipline, or grievances of officers are furnished regularly to the Horse Guards by the Commander in Chief in India for the use of the Secretary of State for War?—All that is communicated in that channel is communicated primarily for the information of the Commander in Chief with whom the discipline of the Army, except in some very special circumstances indeed, exclusively rests.

44. I did not wish to raise any question with reference to the organisation of the British Army, nor as to the government of it; but I should wish to draw your attention in this matter to a letter of the Duke of Argyll of the 14th August 1873, in these papers, in which, in writing to the

Chairman—continued.

Governor General of India acknowledging these memorials (it is on page 24, the 3rd paragraph), he states: "The officers affected by the order in question are officers of Her Majesty's British service, and it is not customary for officers of that class to address memorials affecting their pay and position to the Secretary of State for India. If dissatisfied with the regulations under which they serve in India, they should address the authorities at the War Office, through the Commander in Chief in India." I simply wish to ask whether your Lordship considers the Duke of Argyll's view of the case is not a correct one, and one in accordance with your experience?—I think you had much better have that letter explained by the India Office than explained by me. There are few things more difficult, as you may easily suppose, than to draw distinctions exactly as to what must be done in India through the Government of India, and where the supreme control of the British Government can be properly employed.

45. Has your attention been directed to a paper that was laid on the Table, a few days ago, a letter to the Under Secretary of State for War from the India Office, of the 13th of June 1877?—Yes, I have seen it.

46. The four first paragraphs have reference to matters which took place subsequent to your leaving office; but as to paragraph 5 and the following ones, do you consider that they fairly represent the evidence which you gave in 1874, and the documents that have been laid on the Table since. It would appear, would it not, from paragraph 5, that you had not consulted the India Office until you had forwarded the Warrants which you had intended to submit to Her Majesty on the 15th of June 1872, and the correspondence referred to in that paragraph and the two following paragraphs refers to the letters of the 5th and 8th February 1872, being a fortnight previous to the proposal which you made to the House of Commons on the 22nd February 1872, that these officers should receive the rank and pay equivalent to that of a major of the Line?—There is not the least doubt that there was great communication with the India Office before I made my Estimates speech.

47. Do you consider that a fair representation of the evidence you have given and of the papers laid on the Table of the House?—As to the fairness of a controversial reply, those against whom it is directed very often do not take the same view with those who write it. If you ask me whether I adhere to all the evidence that I have given, I beg to say that, so far as my knowledge goes, I adhere to every word of it. You will allow me to say that when you are in the daily habit of communication things may pass which you have entirely forgotten. It is a very dangerous thing to state an universal negative; and I limit myself as closely as I can to my knowledge. If you ask me whether all the evidence that I have given, I am now prepared, so far as my memory goes, to repeat, I say, "Yes, in every particular."

Sir *Walter Barttelot.*

48. The main point which I wish to call your attention to, and to ask in reference to it what you really meant, is your speech on the Army Estimates in 1872. You distinctly stated, as I understood you to state at that time in the House of

Sir *Walter Barttelot*—continued.

of Commons, that it was necessary in the interests of the service that the first captains of Artillery and of Engineers should become field officers in the army?—Certainly.

49. You proposed, without any reservation whatever, that they should have the pay and allowances of majors of the Line?—The pay and position, I think I said.

50. "The pay and position" means, so far as you understood it, the pay and position which would carry allowances of majors in the army?—Majors in the Line.

51. You at that time had consulted the India Office upon the question?—Yes.

52. You had by your side the Under Secretary of State for India?—Yes.

53. You made no allusion whatever to the allowances in India?—No.

54. Do not you think that it is the natural inference, from your words in the House of Commons, going as they did all over the world, that every officer who was a senior captain of Artillery or of Engineers would think that from the time the warrant was promulgated he would receive the pay and allowances of an infantry major?—I have not the least doubt that that would be the tendency of all officers so situated to draw that inference. But I beg you to let me repeat, what I have already said, that an estimate speech has reference to the estimates; it is an explanation of the estimates to the House of Commons, and it has never been the practice, I believe, for any person in making an estimate speech to deal with the finances of India.

55. That, I am bound to say, from my experience (which is a long one) in the House of Commons, I know to be correct; but at the same time this was a very great change, was it not?—It was a very important promotion.

56. It was one which affected the other branches of the service, in so far as they thought they were being superseded by the officers of Artillery and Engineers?—It was so contended by some of them.

57. We will not go into the question of whether it was so or not; but it was so contended by them?—No doubt.

58. It was generally admitted to be one of very great importance to the army; and do not you think that in making the statement in the House of Commons, if you yourself had thought that the position of the majors, when they were promoted to be majors in the Artillery and Engineers, was not to be in conformity with that which you intended it should be, it would have been, although not usually necessary, yet prudent, to have made some reservation with regard to their Indian pay?—If I had known what the Indian Government would do, and had considered that it was right that any statement should have been made to the House of Commons concerning it, I should probably have taken some measures to let such a statement be made by the India Office; but I doubt very much indeed whether I should have taken upon myself to do the unusual thing of making any statement whatever with regard to the finances of India.

59. But yet at the same time you had the Under Secretary for India there; and from the communication which you had received from the India Office (you state, and most naturally state, that you had great communication with the India Office then), were not you led to believe that they

Sir *Walter Barttelot*—continued.

would have made the difference which has since been made to majors of Artillery and Engineers in their pay and allowances in India?—I was not led to suppose, or to know anything at all about the mode in which they meant to deal with the subject in their financial arrangements. I know very well what I wanted them to do, and what they have not done until 1875, and if it had been done at that time all this controversy would never have arisen.

60. Then I think I may fairly assume that your intention absolutely was, that the officers of Artillery and Engineers in India, as well as elsewhere, should be in a better position than they were before?—I have not the least doubt that they were in a much better position. The promotion itself was a very great advantage to them. If you ask me what I always supposed would be the case, it was that they would be treated as field officers by the Government of India; but I also considered that it would be very wise on the part of the Government of India, if they thought proper, to review at the same time the objectionable system of contract allowances.

61. Now you know, from what you have heard, that that contract system has been reviewed since then?—Yes.

62. And that alterations were made, in April, I think it was, of 1875?—Yes.

63. If those alterations had been made in 1872, carrying the pay and allowances that are now made to the officers of Artillery and Engineers, you would then have thought that they had been fairly treated?—As I have repeatedly stated, my desire was that that should be done. It was not done, and I can only regret it; but I had no control or authority, and could not interfere in the matter.

64. Then let us go back to the officers who were serving in India in 1872, and who had come home to England between 1872 and 1875, when these new alterations were made: now, do you not think that treating those officers only as first captains of Artillery and Engineers up to that time, then making an alteration, showing that the Indian Government ought to have made the alteration before, was doing those officers who received nothing a great injustice?—I really think that it is my bounden duty to be extremely careful in the answers that I give. I have no familiarity with the administration of Indian finance, and I do not think it is for me to be a very prominent person in saying what the India Office ought to do. If I had experience, if I had myself been in the India Office in some important capacity, I should be more ready to do it; but I humbly submit that it is for you to give your opinion, as a Member of this Committee, rather than by continuous examination to endeavour to extract it from me.

65. But I simply am asking you now, as late Secretary of State for War, the man mainly responsible for the interests of our army both, in my humble judgment, at home and abroad (and I will not go into the question of the India Office and the War Office), whether you do not think that it ought to have been settled at the time when the warrant was promulgated?—I have repeatedly stated that I wished very much that that which has been done, as I understand, in 1875, had been done in 1872; and if it had, this controversy, I suppose, never would have arisen.

66. I must only go one step further, and I think

Right Hon. Viscount *Cardwell.*

13 July 1877.

Right Hon. Viscount *Cardwell.*

13 July 1877.

Sir *Walter Barttelot*—continued.

think it is a fair step: namely, to ask you, do you not think that the officers there had a just cause of complaint, and were perfectly right in sending those memorials which they did send?—I must say, with great deference (I speak, I hope, with becoming deference), I do not think it is a very reasonable or fair question to put to me. How can I tell, with regard to any particular officer, whether his contract allowance was a very lucrative one; whether what he gained by the delay in publishing these changes had put a great deal of money into his pocket; or whether, on the contrary, he had gained nothing, and all the effect of the delay upon him has been sheer loss? I should, perhaps, if I did enter into the subject, be influenced by such considerations in the answer I should give; but, as I have repeatedly stated, I have no more knowledge about the arrangements and details of the Indian finance than any other person in this metropolis.

67. May I ask your Lordship, do not you think it was a very unfortunate thing, both in the interests and for the discipline of the army, that no communication and no notice was taken of these communications or memorials for so long a period?—I do not know what has happened about them. I understand that you are going to learn through the India Office what actually has happened. I think it is always unfortunate when a department does not answer the letters which are addressed to it, if they call for an answer.

Mr. *Arthur Mills.*

68. Will you tell me whether it was ever contemplated by the Government of which you were a member, that the grievances or alleged grievances of the officers of Artillery and Engineers should be made good, if they were deemed to be adequate, or if it was considered that it was necessary to deal with them out of the Imperial revenue?—Do you mean whether any contribution should be made to India from the Imperial revenues?

69. Whether that matter ever occurred at all, or was raised in any form?—The giving of a grant, do you mean, from the Imperial Treasury to India, in consideration of the subject that we are met here upon to-day? No, I do not remember anything of that sort.

Sir *Henry Wolff.*

70. The Indian Army is part and parcel of the English Army, is it not?—No doubt; about one-third part of the British Army is from time to time in India.

71. And therefore the promotions in the Indian Army are, I suppose, on the responsibility of the Secretary of State for War, and not on the responsibility of the Secretary of State for India?—Certainly.

72. Therefore, when your Lordship proposed to give this increased rank to the first captains of the scientific corps, you understood that you did that as Secretary of State for War, and that that rank should be given in all parts of Her Majesty's dominions?—No doubt.

73. With regard to what your Lordship said about your estimate speech, I completely understand and fully admit your theory; but at the same time, if, when you had made your speech, you had understood that there would have been any exception to this promotion in any part of Her Majesty's dominions, would you not have

Sir *Henry Wolff*—continued.

stated that as Secretary of State for War?—But there has been no exception.

74. There has been an exception in the recognised majors of Artillery, inasmuch as the pay has not been given to them?—But the two points you are putting to me are by no means the same points. With regard to that for which I was responsible, the promotion, that has taken place from the time contemplated; but with regard to the Indian pay and allowances, those are entirely under the control of the India Office.

75. That I understand; but I suppose under the control of the India Office in communication with the War Office?—No, not in communication with the War Office at all; the Secretary of State for India in Council disposes of those matters.

76. But, for instance, supposing you had sent out a certain number of majors of infantry to India, could the Indian Government reduce the pay and allowances of those majors, after you had sent them out, without communicating with the War Office?—It is very difficult to say what the Secretary of State for India in Council may not do with regard to Indian finance, which is solely under his administration; but, of course, if you put a case which involves some violent and unprecedented action, and imagine that to be done, no one can say who may not be entitled to remonstrate.

77. Can you say whether it is generally understood by the War Office what the Indian allowances are; it is, is it not?—No; I have tried to say that the Indian allowances are matters for India. Of course, when India is perpetually indebted to England for an army which composes one-third of the British Army, there ought to be, if common-sense prevails in the two offices, a most cordial understanding between them; and it was the desire to maintain that cordial understanding which led to our making this alteration in the warrant of which we have heard so much, which changed the 16*s.*, as I wished it to stand, into 14*s.* 6*d.* and 1*s.* 6*d.*; and hence all this controversy.

Sir *George Balfour.*

78. The question appears to be very simple; you intended, and wished, as you have so often said to-day, to place Artillery majors upon the same footing as the Line majors?—Certainly.

79. And if you will accept my statement, which I take from the Indian military budget, the pay of a major of the Line is 759 rupees a month; they have now given 709 rupees to a major of a field battery, and they have given 50 rupees a month for command allowance of that battery, therefore making up the same sum which they could have given, and which you wished to have had given, at the time the promotion was given; I think I am correct in that?—I dare say.

80. The money allowance, therefore, which an officer of that rank receives is evidently much greater than what we call the English pay at home?—Yes.

81. The Indian pay, therefore, is made up, not only of British pay, but likewise of what we know as Indian allowances?—Yes.

82. These Indian allowances your Lordship always understood were entirely of a distinct character from those which were called the contract allowances?—Yes.

83. The

Sir *George Balfour*—continued.

83. The contract allowances were given for the performance of certain duties connected with the batteries?—So I have always understood.

84. Therefore in any arrangements which were made you, as Secretary of State for War, had a right to expect that the usual practice would be followed, that whatever rank was given in the British Army, and whatever pay that rank received in India, that that pay should be given also to the rank which you newly created in the Artillery?—I have always endeavoured to keep particularly clear the difference between rank on the one side, and pay and allowances on the other. With regard to the pay and allowances I did not interfere in any degree whatever with the Indian pay and allowances; but I understood that if we altered the form of the warrant so as represent 16 *s.* by the two sums of 14 *s.* 6 *d.* and 1 *s.* 6 *d.*, the hands of the India Office would be more free, and they could deal with their finances more conveniently.

85. I quite understand your Lordship; your Lordship kept a clear distinction between that which was entirely an Indian question, and that which was purely an English question?—Yes.

86. At the same time, while refraining from interfering directly with the Indian arrangements, you have always desired to see justice done to the officers serving in India with a portion of the British troops serving there?— Of course I should desire to see justice done; but what I did contemplate I have repeatedly endeavoured to explain; I thought that the officers would get their pay and allowances in one shape or another, but that the India Office, and they alone, would determine what it was to be; and when I found that they were incurring a very great expenditure in what were called contract allowances, I stated that I thought contract allowances were a thing that would not be tolerated in this country, and it was for them to consider whether the opportunity was a good one for getting rid of them in India.

87. I was rather anxious to establish that which is understood by those who have served in India that now in the modified form in which you arranged the pay of 16 *s.*, dividing it into 14 *s.* 6 *d.* and 1 *s.* 6 *d.*, the Indian Government have carried it out by dividing the pay of a major of infantry into 709 rupees a month of actual pay, and allowances given to him personally, and of 50 rupees given for the command of a battery, therefore making up the total sum which a major of infantry received in India?—Yes.

88. Whilst you abstained, therefore, from doing more than expecting fair and impartial treatment to the majors of artillery as you intended it to be, you yourself entertained a strong opinion regarding another set of allowances called the contingent and contract allowances which existed then in India?—So far as I understood them at all, I thought them objectionable.

89. And you are aware that many distinguished officers have frequently remonstrated against those allowances?—Well, we have heard it so said to-day.

90. Then you understood clearly at that time that remark was made, and it has been repeated, I think, in several of those letters, that the officers made profits from these allowances?—Certainly.

Sir *George Balfour*—continued.

Right Hon. Viscount *Cardwell.*

13 July 1877.

91. And whilst you, yourself, as Secretary of State for War, did express an objection to it, you thought the Government of India ought to take measures to take up to your views and wishes?—I did not think that it was incumbent upon the Government of India to act up to my views and wishes; but when they said to me, "The change which you contemplate will involve a very serious increase of expense to India." I said in substance this: "Cannot you take this opportunity of relieving yourselves of another serious expense which, so far as I can see, is an objectionable one?"

92. Then you heard from the India Office, and you are aware from one of the published letters, at page 10, that the Government of India, in India, did express themselves very strongly that the officers did make a profit?—Yes.

93. Therefore they had the power in their own hands to do that in 1872 which they did in a subsequent year?—I have since been told, with regard to the abolition of the contract allowances and the substitution of the supply through the direct action of the Indian Government, that the saving would not have amounted to so large a sum as the increase of the first captains' pay and allowances to majors' pay and allowances. How far that may be accurate I really do not know, because, as I have so often said, I am not particularly conversant with Indian finance.

94. Will you accept my own experience when I say I believe the Government are great losers by the change, and that instead of making the profit they expected they have actually incurred a very serious loss. I wish you merely not to mix up two things which are distinct. The Government have discovered now that they have made a mistake, that the profit does not exist in the form or to the extent which they expected; but at the time when these negotiations were going on the idea did exist that a profit was obtained. The point is, did you understand that the objection to giving the pay and allowances of a major of infantry was owing to the profit which the officers got?—I understood that what is stated in the Duke of Argyll's letter, namely, that the officers were already sufficiently remunerated, prevented them from wishing to remunerate them any further at the expense of the Indian Treasury.

95. And that the changes have since been made which you were desirous to see carried out at the time the promotion was made?—If I understand rightly what has been done since I left office, namely, from the 1st of April 1875, I understand it to be that the contract allowances have been abolished, and that the same proportion of pay and allowances is given to the Indian major of Artillery that is given to the major of the Line.

96. But in a different form in accordance with your division, and the principle upon which you did it, of dividing the English pay into two parts; so they have made up the total sum that a major of infantry receives, dividing it into two parts?—If you say so, it is so.

Chairman.

97. I understand from your Lordship that you distinctly adhere to the statement you made in 1874, and have nothing to alter in it?—All I can say is that the statements that I made in 1874 were given to the best of my ability and knowledge. Having been asked by you to come

Right Hon. Viscount *Cardwell.*

13 July 1877.

Chairman—continued.

before this Committee, I asked one or two of my friends who were acting with me at that time, and particularly Sir John Adye, to go over those answers, and see whether, so far as his knowledge was concerned, they were correct; and I may add that I asked a friend of mine, who is a member of the Committee also, to do the same; that they would kindly tell me whether there were any corrections or amendments that I ought to make. So far as their knowledge goes, and so far as my knowledge goes, there were none. But I have already said that if there were any things that passed, of which I have entirely lost all recollection, I shall be quite ready to acknowledge them if anybody can show me that it was so; but so far as my personal knowledge and recollection go I adhere entirely to everything I have formerly said.

Mr. *Carpenter Garnier.*

98. Before you made the proposal to alter the position of these officers, did you consider the fact that the rate of pay being so much larger in India than in other parts of the Empire, this increase would affect India to a much larger extent than other parts of the Empire?—I was in continual communication with the Duke of Argyll and with Sir Thomas Pears. I believe, if I remember right, that I saw Sir Thomas Pears several times myself, though the conversations with him generally, I believe, were on the part of Colonel Middleton, then Deputy Adjutant General of Artillery, and Sir John Adye, who was then Director of Artillery.

99. With regard to contract allowances, would it not appear to you to be a twofold remuneration to these officers to give them retrospective pay for the time when they had those contract allowances?—I have already said, and if you will allow me I will repeat it, if I could have had my way, so far as I remember what my way was at that time, it was that we should have done the thing at once, and not postponed it till 1875. Then with regard to any individual officer, if he was receiving a great benefit by the contract allowance, and he has been a gainer by the delay and not a loser, I do not see what claim he can make for compensation, for he has sustained no loss by the delay.

100. Would it not be a consideration; giving up the contract allowances would be a valuable consideration, and, therefore, would he not be a twofold gainer by receiving, not only from 1872 to 1875, the contract allowances, but also the increase of pay?—If I understand it right, that of which complaint is now made is the delay in not doing in 1872 what was done in 1875; and I think any officer who wants compensation for that delay must show that he has been a loser by that delay. In the case you have put he would have been actually a gainer by it.

Mr. *Grant Duff.*

101. When the Government of India was transferred from the Company to the Crown, Parliament took, did it not, the greatest possible care to prevent the finances of India coming under the control of the British Cabinet?—Parliament, I believe, at that time vested in the Indian Council the control of the finances of India.

102. That body, the Indian Council, is not, in matters directly relating to finance, subject even

Mr. *Grant Duff*—continued.

to the control of the Secretary of State for India?—So I understand.

103. If then any Member of either House of Parliament wished to form an idea as to the course which the Secretary of State in Council was likely to take about any question affecting Indian finance, such as the question of pay and allowances, his natural course would be, would it not, to put a question to the representative of the Indian Government in the House in which he was?—I should think so.

104. It would, would it not, argue very considerable inadvertence if anyone were to infer what the Indian Council was likely to do about a matter of finance, from any speech that was made in either House by the Chancellor of the Exchequer, or the Secretary of State for War?—I certainly think it would be an entire misconception to suppose that the War Minister opening the Estimates in the British Parliament spoke with any reference at all to the finance of India.

Lord *George Hamilton.*

105. I believe that the pay of English officers in India is not regulated by Royal Warrant?—Not at all.

106. And it is because a Royal Warrant has not effect in India as regards the pay of officers, that officers on the Indian establishment receive pay and allowances in excess of what they do in any other portion of Her Majesty's dominions?—The truth is that Indian pay and allowances are much greater than the ordinary pay and allowances of officers of the army.

107. If, therefore, it were attempted to lay down the principle that a Royal Warrant should carry with it Indian pay and Indian allowances; the necessary consequence of attempting to regulate the pay received by officers in India by a Royal Warrant would be, would it not, that a reduction would take place in the pay which they would receive?—No doubt if the Indian pay and allowances were equalised with the other pay and allowances, the effect would be to diminish the Indian pay and allowances.

108. Your Lordship is aware that the Straits Settlements were some years ago part of British India?—Yes.

109. And your Lordship is aware that all troops then quartered in the Straits Settlements received the Indian allowances attached to their rank?—Yes, I believe so. That was before I was at the War Office, but I believe that is the case.

110. Since the Straits Settlements have been transferred, troops have also been quartered there?—Yes.

111. But they have not received rates of pay equal to what they did when it was part of British India?—I believe that is quite accurate.

112. And no change has taken place, either in the climate of the Straits Settlements, or in the duties which the officers perform?—I am not aware of any such change having taken place in the climate as ought to operate upon the pay of the officers, certainly.

113. Therefore, the immediate effect in the instance I have given, of regulating the pay and allowances by a Royal Warrant is, that the pay and allowances of the officers have been reduced?—So I have said.

114. Allusion has been made to a speech which your

Lord *George Hamilton*—continued.

your Lordship made in moving the Estimates, and a certain interpretation it is assumed was placed upon those words, in which you referred to the proposed promotion of these officers in the Royal Artillery?—Yes.

115. Does your Lordship recollect that in a subsequent year you proposed to raise the pay of private soldiers?—Yes.

116. And that you stated that your object was to give to the private soldier a clear shilling a-day?—Yes, that is clear of the ration stoppage.

117. Your Lordship recollects certain privates in the army put a somewhat erroneous interpretation upon your words, and imagined that they would get a shilling independent of the stoppage for necessaries?—Yes.

118. But your Lordship did not consider it necessary to give them a clear shilling independent of all stoppages, because an erroneous interpretation had been put upon your words?—I am afraid that if I had been obliged always to meet the errors of everybody who interpreted one's views in their own sense,—the labours of office, which were sufficient as they were, would have been considerably increased.

119. Might I ask your Lordship to look at a Return which your Lordship signed, and which Mr. Campbell-Bannerman also signed; it was a Return, moved for by Sir Percy Herbert, giving the total number of these officers upon the Artillery establishment both in England and India, and at the bottom of that document a statement is drawn up of the increase which this alteration will effect in the English and in the Indian Estimates?—Yes; the bottom statement here is: "Total annual cost that will fall upon this country and India respectively by the proposed change: British Establishment, 20,684*l.*; Indian Establishment, *nil.*

120. Therefore if your Lordship had in the smallest degree assumed or believed that by your speech on the Estimates you had placed an additional charge upon the revenues of India you would have endeavoured to ascertain what that charge was, and would not have made a return in which no charge was shown?—I think that that return, so far as I can make out by the extract you have asked me to read, is like all other returns drawn up in the Finance Department of the War Office, and is intended to be an accurate answer to the question which is put. There was nothing in what we did which affected the revenues in India at all, and whatever the effect might be through the action of the India Office, I presume that my honourable friend, whom I see there, and who was responsible for that branch of the office, made a perfectly accurate return when he returned that.

121. Your Lordship is acquainted with the correspondence which was laid before Parliament relating to the issue of this Royal Warrant, and the first letter from the India Office to the War Office is dated the 5th of February 1872?—Yes.

122. Is your Lordship aware if any official communication had been made to the India Office concerning the proposed issue of a Royal Warrant previous to that date?—I presume if there had been it would have been returned to Parliament when this Return was moved for; that is all I know about it.

123. But I think we may infer from this letter that certain semi-official communication of some

Lord *George Hamilton*—continued.

kind, or a private communication of some kind, had reached the ears of the India Office, and it was upon that that they directed your Lordship's attention to the effect which the issue of this Warrant might have upon the revenues of India?—It appears to me that in the reply which immediately follows in this paper I took care to set right an inference which the phraseology of the India Office would otherwise have possibly led to, namely, that they had only casually heard it, that somebody had told them in the street; and I appear to have stated that I had myself given the Duke of Argyll to understand that it was under consideration.

124. In that letter to which you have just alluded, your Lordship laid down the principle which should regulate the action of the Secretary of State as regards Indian allowances given by the Indian Government, and if your Lordship will allow me I will read it: "The financial arrangements of India and the military allowances are in the control of the Secretary of State for India in Council, and, if the allowances are too large, the Secretary of State in Council can reduce them, only considering the opinion of the Secretary of State for War, so far as the fair position of officers of the British Army may require." The Duke of Argyll or the India Office, on the 11th of July 1872, acknowledged the receipt of the Royal Warrant which had been forwarded to them, and the Duke of Argyll there states, "that as the officers now holding the position of first captains in those two corps in India are liberally remunerated for their services in that country, he does not consider that any change in their present rate of Indian pay and allowances is called for by the proposed change of rank and designation;" if this letter of the Duke of Argyll's had infringed the principle which your Lordship had laid down as regulating the relations between the two offices, I assume that you would have answered it?—I think it is very probable that, if I had considered it required an answer, I should have answered it; but as it was written after the Warrant was already issued, it could merely have led to what I consider would have been a useless controversy if we had answered it; and, as in the letter of the 18th of July, only one week afterwards, the command allowance for a garrison battery was more than trebled, I do not know that I should have been right in concluding that the India Office had finally made up its mind on the 11th, when it wrote that sentence which you have just quoted.

125. But your Lordship was for some time subsequently in office?—Certainly.

126. And if you had considered this statement of the Duke of Argyll's to infringe the principle that you have laid down in the passage I have read, I assume that you would have noticed it, but you did not consider it contrary to the negotiations and the understanding which had been arrived at?—I considered that the whole question of the Indian pay and allowances was in the control of the Secretary of State for India in Council, and not in the control of anybody else; and the particular point, so far as my recollection goes, to which I wished the review to be directed, if they thought proper to do so, was those contract allowances which were, I thought, objectionable in their nature; and when it was used as an argument against a necessary change in the organisation of the Artillery that the expense

Right Hon. Viscount *Cardwell.*

13 July 1877.

Lord *George Hamilton*—continued.

to India would be considerably increased, I said, cannot you do, what it appears has now been done, take the same opportunity of looking at the cost of the contract allowances.

127. In the evidence which you gave to-day you stated that you believed the reduction of these allowances would go far to indemnify the Indian Government for the increased expenditure they had to incur?—I had such an impression; I have distinctly stated, and I wish to make it perfectly clear, that I have never assumed any familiarity with the details of Indian finance.

128. And your Lordship also stated, that if you had had your own way these contract allowances would at once have been abolished; and I understand that your Lordship also altered the Warrant to give the Indian Government the power of abolishing, when they chose, the contract allowances which hitherto had been in existence?—No; if I said that, I should have gone beyond what I meant to say. I meant to say, that instead of putting 16 *s.* into the Warrant, with reference to the English majors, we put in 14 *s.* 6 *d.* and 1 *s.* 6 *d.*, because I understood that those who managed the finance of India would prefer that form of doing it.

129. But your Lordship did not intend that by the Royal Warrant the Indian Government should not have the option of reducing, when they chose, the contract allowances, but that the Royal Warrant was to give to all officers increased pay irrespective of any alteration in contract allowances?—Certainly I never supposed anything of the kind. I have endeavoured to draw the line as distinctly as possible, that I never supposed that I had any power over Indian pay and allowances at all.

130. The Royal Warrant which was issued, as a matter of fact, has not placed the majors of Artillery in exactly the same position as majors of the line, as regards pay?—No; because, as I have repeatedly stated, the 16 *s.* is divided into 14 *s.* 6 *d.* and 1 *s.* 6 *d.*

131. I do not know whether your Lordship would object to answer this question, but I should like to put a suppositious case to you; I will assume that certain officers in India commanding batteries were in receipt of compensation from the Indian Government, because they had not contract allowances, and that the compensation which they had to receive was 250 rupees a month; your Lordship never intended that the Royal Warrant should entitle these officers to the compensation of 250 rupees a month in addition to the Indian pay and allowances?—I never supposed that the Royal Warrant would operate at all upon the finances of India.

132. And if I might ask your Lordship the question, after your great experience both at the Treasury and at the War Office, would it not, in your opinion, be a cause of great friction in the India Office and the War Office if the principle was ever assumed that the mere fact of a Royal Warrant being issued must carry Indian pay and Indian allowances?—It is not the case; it cannot under the Act of Parliament be the case, and in my opinion it ought not to be the case.

Mr. *Courtney.*

133. The British Army, serving in India, may be said, may it not, to be sent out by arrangement between the War Office and the Secretary of State for India in Council?—Yes.

Mr. *Courtney*—continued.

134. It serves, in fact, on certain conditions agreed between them?—Yes.

135. The first condition is that all questions of promotion are reserved for the War Office, and the next condition is that the pay and allowances rest entirely with the Government of India?—Yes.

136. In fact, you may say an agreement exists to that extent?—That is the course of action.

137. And neither party could alter the terms of that agreement of its own will?—Certainly not.

138. You could not, as Secretary of State for War, prescribe an addition to the pay and allowances received in India?—Certainly not.

139. Officers going out to India are acquainted with these conditions, are they not?—Yes, I presume so.

140. Are they brought to their knowledge in any special way?—It does not require any special way of bringing to an officer's knowledge what his pay and allowances are.

141. No, but I mean the limited power, or rather the total absence of power, of the Secretary of State for War in certain respects; so that an officer in India reading your speech on the estimates, knowing the conditions under which he serves, would not draw the deduction that, because you say that first captains in the Artillery are to have the rank of major, therefore they are to get the difference of pay in India?—If he knew his business, and gave me credit for knowing mine, he would not suppose that I meant anything of that sort in my speech.

Mr. *Muntz.*

142. These contract allowances that have been alluded to, I mean the battery allowances, not the pay, were enjoyed by only a certain proportion of the majors?—Yes.

143. And by none of the Engineer majors?—No.

144. From the time in 1875, when these contract allowances were very wisely put an end to, the pay was increased to the same as that of majors of the line?—I believe so.

145. Then those majors in the Engineers and in the Artillery, who did not enjoy those contract allowances, would stand at a considerable disadvantage during those three years, would they not?—The delay, of course, would affect them prejudicially.

146. They only receiving from 1875, and in the meantime the others receiving their contract allowances?—Yes.

Mr. *Campbell-Bannerman.*

147. One general question I wish to ask; I understand you to say that with regard to the letters written by your authority, to be found in the correspondence, and with regard to your answer to the Committee in 1874, you adhere entirely to everything that is contained in those papers; but of course in what, as you have already said, is more or less a controversial correspondence, you cannot be expected to accept every gloss or interpretation which is put upon your words in the replies received from the other offices?—Certainly not.

148. Subject to that, you have nothing to correct in the expressions used in those papers?—So far as my present knowledge goes, it entirely confirms the knowledge upon which I spoke in 1874,

Mr. *Campbell-Bannerman*—continued.

1874, and I therefore entirely adhere to everything that I said in 1874. A good deal of this was done by parole, you know, before the despatches were written, and I have not ventured to give any recitation of anything that happened in parole conversations. I presume, if there had been any difference about them, I should have heard it before this, probably in 1874.

Mr. *Fawcett.*

149. In your Estimates speech (to which allusion has been so frequently made) in 1872, you made no reference to what would be the financial position of these majors of Artillery in India, because you considered that you had no right to express an opinion on that point, that it did not come under your department?—An Estimates speech is the explanation given by the Minister for War to the House of Commons, and has regard to the money which he wishes the House of Commons to place at his disposal for the Imperial service of the Army, and it ought to be limited to that.

150. If anyone had put the interpretation which it is now said was put upon your words, that your words led people to suppose that they would receive in India increased pay and allowances; if any Member of the House, for instance, had asked you what would be the position of these majors of Artillery with regard to pay and allowances, you would probably have said that it was not in your department to answer the question, but you would have referred the inquirer to the Under Secretary for India, or whoever represented India?—I think so; I think that would have been the proper answer for me to make.

151. The Warrant of July the 18th, which was sent from the India Office on that day, and was issued in India on the 16th August 1872, has, so far as you know, been accurately carried out?—I believe so.

152. And do you consider that, as Secretary for War, you had not the slightest right, any more than any Member of the House of Commons or anyone else, to interfere with the pecuniary arrangements mentioned in that Warrant; that it did not fall at all within your department to express an opinion on it?—I think that is a very accurate way of putting the duties of the two departments. When two departments are so intimately connected together as these two departments are, of course, if there were any injustice done to anybody by the one, a friendly remonstrance would be natural, as coming from the other; but if you mean to ask whether I had a right to assume the smallest authority over the India Office, I totally and entirely disclaim it.

153. And therefore you think that the sole thing for the India Office, as representing India, to look to, to tell them what would be the pecuniary position of these officers, as distinguished from their rank, would be the warrant that was issued on the authority of the Government of India, and not in any way any words that had been uttered by you?—I should think so, certainly.

154. All that you feel bound to see that an English officer should receive is his rank and his pay, as determined in England?—That is all that I had the power of doing, and all therefore that, as a reasonable person, I ought to have assumed myself to have the power of doing; and if I make a speech which is understood in a further sense than that, it is somebody's fault that the speech should be so understood. If it is my fault, I am responsible; if it is the fault of the hearer, who puts on my words a construction which better knowledge ought to have prevented his putting on them, it is his fault.

Mr. *Fawcett*—continued.

155. And looking back on that speech, although of course anyone may occasionally use incautious words, there is nothing in that speech, no unguarded expression which you let fall, which would entitle anyone to put such an interpretation upon it as has been put upon it, when they say that in making that speech, when you introduced the Estimates, you wished to imply that a certain effect would be exercised upon Indian finance?—Certainly not. I had not the smallest intention of being understood as dealing with matters over which I had no power, and with which I had no direct concern.

156. And if you were going to make a speech again, under similar circumstances, you see no reason to express yourself differently from what you did on that occasion?—No; the circumstances being the same, I am not prepared to condemn the speech; but if this controversy had arisen, and I were to say the same thing over again, with the knowledge that it had been so interpreted, then that would make a difference.

157. Any officer who enters the English Army is bound to serve in any portion of Her Majesty's dominions?—Certainly.

158. And the only thing he is entitled to is the pay, which is determined, by the Secretary of State for War and the Horse Guards, by the Queen's Warrant?—Yes.

159. English officers serve all over the world in the various British possessions?—Yes.

160. And in many of those British possessions they do not get any increase of pay beyond what they receive in England?—That is so; there are some climates in which there are colonial allowances, I think.

161. But although, in some parts of the world in which English officers are bound to serve if they are ordered, there are places where the climate is unhealthy, still, even considering all that they receive in additional allowances, that does not make up their pay to anything like what they receive in India, does it?—No. I have always considered that the Indian pay and allowances are liberal pay and allowances, and much exceeding what the British soldier enjoys in other places.

162. For instance, an English officer receives additional pay if he serves at Hong Kong, or in Ceylon?—Yes, I think so.

163. But though the pay which he receives if he serves in Hong Kong, or Ceylon, is increased, it does not at all represent the additional pay which he receives when serving in India?—I believe that is so.

Sir *Henry Wolff.*

164. A question was put by the noble Lord the Under Secretary for India, as to a return signed by your Lordship and Mr. Campbell-Bannerman, with regard to the additional burden on the finances of England, and on the finances of India, in consequence of this warrant. I suppose that the information, which is there signed by Mr. Campbell-Bannerman, is simply information received from the India Office, and for which neither your Lordship nor the then Under

Right Hon. Viscount *Cardwell.*

13 July 1877.

Right Hon. Viscount *Cardwell.*

13 July 1877.

Sir *Henry Wolff*—continued.

Secretary of State for War was responsible at the time?—I have never seen this return before since it was issued, and I may be mistaken; I have had no opportunity to-day of reading it through; but from the extract I was asked to read to the Committee I apprehend that it is a return from the Finance Department, and that it spoke of facts, not of possibilities, and that it would enter into no speculation at all as to what the India Office might think proper to do, but that it would return as it has returned "*nil*," because there was no charge on India involved in the publication of the warrant.

165. The signing of that paper by your Lordship and the honourable Member for Stirling was in no respect an admission of the justice of any arguments in the discussion that had been used by the India Office?—I understand it to be a statement of a simple matter of fact, prepared in the finance branch, as to the effect of the warrant.

Chairman.

166. Are you aware that the Government of India, when Lord Northbrook was Governor-General, and the Council of India, including the Commander-in-Chief, were of opinion from the first, and reported strongly, that these officers were entitled to this pay?—I have read what has been published in the Parliamentary papers, but

Chairman—continued.

I would rather leave Lord Northbrook and his colleagues to explain themselves, than put my interpretation on what they have said.

167. Are you aware that the Government of India also admitted that if these officers had received their major's pay in India, they would proportionately have been no better off than a major in England receiving the English rate of pay?—I would much rather leave the Indian Government to speak for itself in its own despatches than put any gloss upon them at all; I do not dispute what you are putting.

168. Is it not the fact, that the rates of pay in India which are now existing, and the same as were existing 30 years ago, were settled in former days between the Secretary of State for War of those times and the Government of India of those times, and not by the Indian Government alone?—There was no Secretary of State for War in those times. The Secretary at War was the representative, I think, of the Government then; but I was not myself a party to the proceedings, and I really do not know what took place.

169. Is your Lordship aware of a single instance of a Royal Warrant promoting an officer of the British Army, and that promotion taking place in India, when he did not receive the equivalent allowances of his rank?—No, I cannot give you any such instance.

Colonel R. P. Radcliffe, R.A., called in; and Examined.

Colonel *Radcliffe*, R.A.

Chairman.

170. You are Deputy Adjutant General of Artillery at the Horse Guards?—Yes.

171. You are aware that during the last few years since you have been there a number of applications have been made, by the officers quartered in India and at home, for arrears of pay which they claimed from the Government of India?—Yes.

172. These have been going on, as far as the War Office is concerned, from the year 1875?—Yes.

173. Previous to that the applications, which are said to have been forwarded on to the Horse Guards from India, appear from a return never to have reached?—From 1872 to 1874 nothing reached the Horse Guards from India; any complaints or applications which were made were made to the authorities in India, and were not forwarded to us.

174. Were any of these memorials received at the War Office previous to the year 1875?—No, I do not think they were.

Mr. *Fawcett.*

175. You say you do not think; are you certain?—I can say positively they were not received.

Chairman.

176. No applications for arrears of pay, which had been forwarded to the Commander-in-Chief in India, had reached the War Office by the 9th of August 1875?—Some had been received before that, on the 2nd of June 1875.

177. In the year 1875 a good many officers who had returned from India, and were stationed in England, applied direct to the Horse Guards?—Yes.

Chairman—continued.

178. Those applications were submitted through the Commander-in-Chief to the India Office, were they not?—Yes.

179. Was any reply received to them?—The only reply then received was a letter from the India Office, dated 3rd August 1875, which merely referred to the decision of the Secretary of State for India, given in July 1872, to the effect that as the profits arising from the contract allowances were so great, there did not appear any reason for increasing the pay of Artillery majors in India. A reply to this letter was drawn up in November 1875, accompanied by a memorandum I prepared on the subject, but the India Office declined to receive it, as not coming direct from the Secretary of State for War. The papers were then forwarded to the War Office, for transmission to the India Office.

180. Was a letter received from the Commander-in-Chief in India, dated the 9th of August 1875, calling attention to a previous letter of his, dated "The Camp, 18th of February 1875," on the question?—I do not know.

181. Will you refer to that return (*handing a return to the Witness*)?—I do remember it perfectly now.

182. That letter is as follows: "The Commander-in-Chief in India to the Adjutant-General to the Forces, Horse Guards: Head Quarters, Simla, 9th of August 1875. Sir,—I have the honour to state, for the information of his Royal Highness the Field Marshal Commanding in Chief, that I have received memorials from the following officers of the Royal Artillery, submitting their claims to the difference of pay between first captain and major from the date of the Royal Warrant giving them major's pay

Chairman—continued.

pay and allowances on the date of their promotion to that rank, or from date of first arrival in this country in that rank. I do not forward the memorials, because they are precisely similar to the three transmitted with my letter (No. 771, Camp), dated 18th of February 1875. Some of the officers in question had been receiving the pay of major while at home, and on arrival in India found themselves restricted to the Indian pay and allowances of a first captain. I have informed the officers that the question has been submitted for His Royal Highness's consideration;" was any reply ever sent to that letter?—It was submitted then to the Secretary of State for India.

183. Then it having been referred to the Secretary of State for the War Department as a financial question, was a letter written from the War Office requesting the attention of the India Office to that point?—Yes.

184. I find the letter here dated 6th of July 1876, and it is as follows: "Sir, I am directed by the Secretary of State for War to transmit to you, to be laid before the Secretary of State for India in Council, the accompanying application from Lieutenant Colonel E. Markham for the difference between the pay of a captain and a major in the Royal Horse Artillery in India, from the 5th of July 1872 to the 18th of February 1874;" was any reply received to any of these letters which enabled you to inform the officers of what decision had been come to with reference to their claims?—No; but on this letter of Colonel Markham's, the Secretary of State for India directed that any representation that an officer of the British Army wished to make, regarding claims to pay under Indian regulations while employed in India, should be addressed to the authorities in that country.

185. Are you aware that some of these officers have been informed by the Commander in Chief in India, writing to them direct, that in consequence of instructions received from the Secretary of state for India their applications would be submitted to Parliament?—Yes; I have got a letter here that will show that from Sir Frederick Haines, dated the 24th of May 1877, and in which he says, "On the 31st of March 1876 intimation was received from that department" (that means from the department of the Government of India) "that the petition would be presented to Parliament in due course; no additional communication on the subject has since been received."

186. Up to the present time have any of these officers received any other reply, with the exception of that intimation from the Commander in Chief in India?—No. A letter has been received from the India Office on the 15th of June, I think it is, 1877, but that I have not communicated to the officers because of this Committee.

187. None, therefore, has been sent?—None has been sent.

188. Do you consider, from your experience, that a most unusual course has been pursued in making no reply whatever to these officers for a period of five years?—I must say that it seems rather strange.

189. Are you aware of any officer or man, after having submitted a grievance, having been detained more than the absolutely necessary time for inquiring into the matter before receiving a reply?—Of course it is usual to give a reply as soon as the information can be obtained. I cannot give any particular instances of the kind you refer to.

Chairman—continued.

190. Has it been your opinion throughout, that the officers have been entitled to their pay from the date of the issue of the Warrant?—Yes, undoubtedly.

191. You are an officer of the old Royal Artillery?—Yes.

192. And you have been nearly 40 years in the service?—Just 40 years.

193. And you have held high command?—Yes.

194. You have also served in India?—Yes.

195. Have you ever heard or known an instance of an officer being promoted in India, who did not receive the pay and allowances of his rank?—No.

196. Are you aware, and can you say whether such an instance is known in any way in the office?—I have known none.

Sir *Walter Barttelot.*

197. I think you said that, so far as your knowledge goes, you knew of no memorials which were received at the War Office prior to 1875?—No.

198. Were you, as Adjutant General, aware that memorials were being sent from officers of Artillery?—I was not Adjutant General till 1875, but there is no record in the office of any memorials being sent prior to that.

199. Where were you before you were at the War Office?—I was in Ireland.

200. Did you happen to come across any officers who communicated to you that memorials had been sent prior to 1875?—I do not recollect any.

201. Do you happen to have heard then any of the grievances, so called, that have been made on this matter of pay by the officers of the Artillery and Engineers?—I do not think there was then so much excitement about it as there has been latterly; it was not so much talked about then.

202. Was that because they supposed that they would, in the end, have got what they thought themselves fairly entitled to?—I think so; that everybody thought that they must get it eventually.

203. You are aware that these allowances and the pay have been altered, in conformity, we may say, with the promotion in 1872, to the pay and allowances of a major?—Yes, I am aware of that.

204. Supposing that that alteration had taken place in 1872, when the Warrant was promulgated, would it have been satisfactory to the officers of the Royal Artillery and Engineers?—I suppose it would; but I think that the alteration has been made on a false basis, if I may so say. The pay has been given now in consideration of having done away with the contract allowances, whereas the contract allowances had nothing on earth to do with pay; the contract allowances were established for the convenience and economy of the Government of India, and not for the benefit of the officers. In former days, when there were few arsenals and no railways, it was found more convenient for the Government of India to let the officers commanding the artillery batteries and the cavalry get their leather, and their wood, and their iron,

Colonel *Radcliffe*, R.A.

13 July 1877.

Sir *Wolter Barttelot*—continued.

and so on, where they could, instead of going to the arsenals and fetching them great distances; and therefore the contract allowances had nothing on earth to do with the pay; and the great proof of that is this, that it was not necessary that an officer should have the rank of major to have the contract allowances; but if he were a captain or a subaltern, and happened to be in command of the battery, he would also have the allowances; and therefore it has nothing to do with his pay.

205. The pay and allowances are absolutely distinct?—The pay and allowances are pay; but the contract allowances are perfectly distinct from the pay and allowances.

206. Now, supposing that there was anything extraordinary going on, such as a mutiny or a war, or anything of that kind, how would the officers then be placed with regard to the allowances; would they be sufficient, or would they not?—Very often, I believe, officers were out of pocket by them; of course, in some cases, they were in pocket.

207. In some cases, you say, they were in pocket; but in the cases which those allowances were intended to cover, in whatever position the officer might be, there were many instances, were there not, in which he was out of pocket?—Yes.

208. As you know the feelings of the officers in the army, and as they naturally understood what was stated by Lord Cardwell in the House, is it your opinion that all those officers thought themselves entitled, when Lord Cardwell made that statement, that they were to be promoted to the rank of major in the army, to receive the pay and allowances of major in the army?—Undoubtedly. I will only put a case to you. What could cause a more unpleasant feeling for an officer than a major of artillery being quartered in the same station with a major of the line in India, one receiving double the pay that the other did, holding the same rank.

209. You are aware that since 1875 these memorials, as you have stated, were sent in?—Yes.

210. And you have also, I think, stated that the only answer that the officers in India received was that answer to the communication made by the Commander in Chief in India?—They got no more satisfactory answer. Some answers might have been made to say that the matter had been referred to the India Office, and that it was under consideration, but they had never got any answer to satisfy them in any way.

211. And I may go further, may I not, and say that up to this day they have never got any answer which would satisfy them that their claims were going to be considered?—Quite so.

Mr. Arthur Mills.

212. You have said that sometimes with these contract allowances the officers were out of pocket?—Yes.

213. Now, speaking generally, in ordinary years would they not give a very large profit to the officers?—My experience in India was only one year; there are many officers in the Indian Artillery who could speak to that point better than I could. But, of course, it depends very much on the way in which a battery is received over by one officer from another. An officer may receive his battery over from a very careful predecessor who has kept the things up in very good order, and then he would not be liable to so much expense as he would if he had received it from an officer who had not kept it up. In war time (Sir George Balfour knows better than I do about this) officers were frequently considerably out of pocket, I believe.

Mr. *Arthur Mills*—continued.

214. But in time of peace, and supposing an officer to be fairly careful, he would make a very large profit, would he not?—I think he would make a profit; I am not prepared to say large. When I went out in 1857 I certainly made a good deal myself, because I went out with a battery where everything was new, and there was hardly any repair required during the time I was there.

215. I suppose, provided always that the officer received what he considered, pecuniarily, an adequate amount, it was not very important to him whether he got it out of contract allowances or out of any other allowances?—I think it would be unsatisfactory to him to be out of pocket by the contract allowances.

216. Do you think, with your judgment and experience, that these contract allowances are good things?—I think the principle is bad.

217. With reference to the delay in answering these applications, you have mentioned, and it is notorious, that there is very great delay. Is it not the practice of the War Office, as of other offices and departments, to answer, saying that things are under consideration. I suppose you very often do that?—Yes.

218. Some things are kept for some years under consideration, are they not?—I am afraid they are sometimes; but all these petitions and complaints of officers that I received were forwarded at once through the Secretary of State for War, to the India Office.

219. But do you think that there has been delay in this matter which you have not known to arise in any other case?—I think there has been enormous delay. I do not know whether it is quite a question for me to answer; it is a question between the Secretary of State for India and the Secretary of State for War.

220. I only want to know whether there has been an exceptional departure from the general practice of the department, in the matter of time, in this matter?—I think there has been, as far as my private opinion goes.

Sir *Henry Wolff.*

221. With regard to these contracts, these contracts imposed additional duties upon the officers, I suppose?—So far as the officer got his supplies, instead of having them provided for him through an arsenal.

222. They were duties that were not imposed upon an officer in the same position in England?—They were not.

223. And therefore any profit that he made out of the contract was, to a certain extent, repayment for the additional duties he undertook?—They were not given for that purpose.

224. I say that any profits that he made under the contract were profits he made by assuming duties that in England would not be imposed upon him?—Quite so.

225. And those duties were not confined merely to the first captains, but were imposed upon all officers in command of a battery, were they not?—Yes.

226. Therefore a subaltern would have had those profits if he had happened to be in command of a battery?—Yes.

227. They

Sir *Henry Wolff*—continued.

227. They were not in the nature of a personal allowance to the officer?—No.

228. They were for those duties?—For those duties.

229. But the pay and allowances of an officer are personal to him as long as he is serving in India?—Yes.

230. Do you say that officers not only ran risk, but actually incurred loss, by their contracts?—Yes, I believe many have; but I think others who have had more experience of India can answer that question more satisfactorily than I can. I have no doubt of it.

231. Are all first captains of Artillery in a position to have these contracts or not in India?—All first captains with Field or Horse Artillery batteries.

232. But all first captains have not Field or Horse Artillery batteries?—No.

233. Therefore the first captains who had not the command of a battery were dependent entirely upon their personal pay and allowances for an income?—Yes.

234. And therefore supposing that any deduction was to be made in respect of these contract allowances, that deduction does not hold good with regard to first captains who had not batteries; I mean supposing it were held by Parliament or the Government that the enjoyment of these contracts was an equivalent for the additional pay which had been held back, that argument would not hold good for first captains who were not in command of batteries?—No.

Sir *George Balfour*.

235. You have read the papers that have been laid before Parliament?—Some of them.

236. There is a little information there which I think it is very desirable to clear up; you remember that in more than one letter a statement was made that by the change made in 1872 by making first captains majors, no less than 120 first captains of Artillery would be made majors; you remember that statement?—Yes.

237. Will you look over your returns and make out the number that were actually at the time in India as first captains?—I will do so.

238. Will you be good enough also to distinguish the number who were in command of field batteries and horse artillery batteries, from the number in command of garrison batteries who were necessarily not in receipt of contract allowances?—Yes.

239. A captain of Artillery on taking the rank of major in India was immediately placed on the roster as a field officer?—Yes.

240. And he had duties to perform in that rank?—Yes, the same as other field officers.

241. You are aware that the Indian pay and allowances were made up of tentage, and house-rent and batta, and several other items?—Yes.

242. And that a captain's tentage was less than that of a major?—I cannot remember that.

243. It was expected that when an officer became a major he should have an equivalent allowance corresponding to his rank?—Yes.

244. Therefore if he became a major he ought to have been entitled to receive the allowance which India had been in the habit from time immemorial of giving to the rank of major?—Yes.

245. Therefore a first captain of Artillery getting the rank of major, if he had gone away to the hills and met other majors of the Line, would have found himself in the receipt of captain's pay, whilst the majors of the Line were receiving nearly double pay?—Yes.

Sir *George Balfour*—continued.

246. And they think it is being placed in an unfair position to have less pay than would attach to a corresponding position in the Army?—Yes.

247. With regard to these contract allowances, a question has been asked you with regard to the profits made. Could you venture, do you think, to say whether you consider that the advantage to the Government was not fully as much to them by getting their officers to perform duties in connection with the gun-carriages, and that therefore any profit which the officers did make out of the money allowances would only be a fair remuneration for the labour they undertook on behalf of the Government?—I think it would.

248. Now, from your experience in India, do you think that the Government are performing the duties for these batteries as economically as the officers did?—I think that would be a difficult question to answer. I suppose they think not, by doing away with the contract allowances.

249. But still, at one time, it was thought that the Government would make money by doing away with the contract allowances?—I never understood that. I thought the Government always thought it was more advantageous in former days that the officers should have the contract allowances, but now I think they do see an advantage of doing away with them.

250. And you think that, if the Government made a profit, they would be able to tell us what the profit was, having reference to the period when they did not give the captains the pay of the rank of majors?—I suppose that could be obtained from India.

251. With regard to the gun-carriages and the wagons, the profit, as you justly say, would depend very much upon the newness, as to whether they had been recently issued out to the battery, and therefore that one must take the whole of the expenses in connection with the old gun-carriages as well as the new?—Yes.

252. And that, therefore, an average must be struck fairly, some officers having new carriages in their charge, and others having old ones in their charge, and requiring a considerable expenditure monthly to keep them in repair?—Yes; I think it would be very difficult to get that average.

253. Therefore we could never arrive at any accurate conclusion as to what the real profit was which the first captains made out of contract allowances?—Yes, I think it would be very difficult.

Mr. *Carpenter Garnier*.

254. I suppose it would be some proportion of these first captains who received contract allowances?—There were 58 batteries, I think; 43 batteries of Field Artillery, and 15 of Horse Artillery, who would be receiving the allowances, and there would be 28 who would not.

Mr. *Muntz*.

255. You said that, in some instances, officers have been out of pocket by their battery contracts; do you yourself know a single instance, of your personal knowledge, of that fact?—No; I said before on that subject that I think some

Colonel *Radcliffe*, R.A.

13 July 1877.

Mr. *Muntz*—continued.

officers who have had more experience of India would be able to give a more satisfactory answer; I was only there for a year; what I know is from conversation with the officers, but not from any facts or statistics.

Mr. *Campbell-Bannerman.*

256. I understood you to express an opinion that these officers ought to have had the full pay of majors from the moment that the promotion in rank took place in addition to any benefit they might derive from contract allowances?—Yes, I did say so. I quite think so. I think that the pay was due to their rank; the contract allowances had nothing to do with their pay whatever; the contract system was established for the convenience and economy of the Indian Government, not to make up the pay of the officers.

257. But, as a matter of fact, those contracts were in many cases extremely beneficial, and in most cases more or less beneficial, were they not, to the officers?—That I cannot tell you. I think in most cases they were beneficial, no doubt.

258. And you express an opinion that now these officers ought to receive the arrears of pay, the difference between the first captains' pay and the majors' pay for those years during which they had the benefit of those contract allowances?—Yes, certainly; because I think the contract allowances had nothing to do with their pay or their rank.

259. May I ask whether you express that opinion as coming from yourself, from an officer of great distinction and experience, or whether you express that opinion as deputy adjutant general of the Royal Artillery?—I express that opinion both as my own opinion and the opinion of everybody in the regiment.

260. What I mean is, do you come here officially?—I speak officially.

261. On behalf of the present War Office?—No, I cannot say that. You see I am not in the War Office; I speak on the part of the Horse Guards.

262. The Horse Guards is a part of the War Office?—Yes, but they take different views on subjects very often. I could not express an opinion as to the views of the War Office in 1872, because I was not in office at the time that the question was going on in 1872, and therefore I do not know what the views of the War Office were entirely then.

263. But are you aware that at that time the military department of the War Office was fully cognisant of the arrangement that was made between Sir John Adye and Sir Thomas Pears?—No; I should rather not answer any questions upon that subject, because it would be only from hearsay that I should speak.

Mr. *Campbell-Bannerman*—continued.

264. You have only been in your present office since 1875?—Since May 1875.

265. Then really I think I may say that you do not express an official opinion as representing the office, but merely your own opinion; I do not use the word "merely" in at all a sense to diminish the value of the opinion?—I think so far I express the opinion of the office, that I believe the Commander in Chief has the same views that I have; so much so that he authorised me to send in this memorandum which I have here, and which I shall be happy to hand to the Committee. This paper was in reply to the India Office, stating that I could not accept, on the part of the Artillery, the opinion that they had given, which was a reiteration of the decision given in their letter of the 11th of July 1872, to the effect that "as the officers holding the positions of first captains in India are liberally remunerated for their services in that country, he does not consider any change in their present rate of India pay called for by the proposed change of rank designated."

266. Do you mean that that memorandum is in answer to the India Office letter of this year?—No; there was an answer sent by the India Office on the 3rd of August 1875, to some memorials of Lieutenant Colonel Purvis, Major Worsley, Major Ritchie, and Major Newport, in which attention was drawn to the expression of opinion on the part of the Secretary of State for India, in the India Office letter of the 11th of July 1872, when the warrants were under consideration, to the effect that "The contract allowances were so beneficial as practically to make the emoluments of the Field Artillery captain greater than those of the major of the Line." To this letter I drew up a memorandum for his Royal Highness.

267. Will you put it in?—Yes.

Mr. *Fawcett.*

268. How came you to give evidence here; was a communication sent to you as Deputy Adjutant General, requesting you to come, and were you sent to represent the Horse Guards, or do you come here simply as an Artillery colonel of 40 years' experience?—I think that I come to represent the Horse Guards.

269. Then, since you received your summons on Tuesday last, have you had any communication with the Commander in Chief on the subject of your evidence?—No.

270. Or with the Secretary of State for War?—No.

271. Then you come here to represent the Horse Guards and the Secretary of State for War, holding a subordinate position in those offices, without having communicated to them what evidence you were going to give in your official capacity?—Yes.

Tuesday, 17th July 1877.

MEMBERS PRESENT:

Sir George Balfour.
Sir Walter Barttelot.
Mr. Courtney.
Mr. Grant Duff.
Lord Eslington.
Mr. Fawcett.
Mr. Carpenter Garnier.
Lord George Hamilton.
Mr. William Holms.
Colonel Jervis.
Mr. Arthur Mills.
Mr. Muntz.
Captain O'Beirne.
Mr. Denzil Onslow.
Sir Henry Wolff.

COLONEL HENRY JERVIS-WHITE-JERVIS, IN THE CHAIR.

Colonel R. P. RADCLIFFE, R.A., re-called; and further Examined.

Colonel *Radcliffe*, R.A.

17 July 1877.

Chairman.

272. HAVE you any wish to correct any part of your former evidence?—I wish to correct the answer I gave to Question No. 268, where I stated that I came to represent the Horse Guards. I represented it so far as I am Deputy Adjutant General of the Royal Artillery there, and have access to papers that nobody else has access to; and therefore I came to give evidence which other people could not give; and in that capacity I came as Deputy Adjutant General.

273. When you were last here, you referred to a memorandum which was ordered to be put in; has that memorandum been put in?—I have it here (*producing it*).

274. Perhaps you will read the memorandum?—This is a memorandum made by myself for His Royal Highness's information and for his approval. "Memorandum for His Royal Highness," dated "Horse Guards, War Office, 7th July 1875. The Deputy Adjutant General, Royal Artillery, has the honour to submit for the perusal of your Royal Highness the enclosed letter from the India Office, containing a reply to a letter from Horse Guards forwarding the application of four majors of Royal Artillery serving at home for the difference between the pay of their rank and that of captain for the period they served in India after the 5th July 1872. The appeal of these officers has been refused on the grounds that the contract allowances drawn in India by officers commanding batteries of field artillery were so beneficial as to make their emoluments greater than those of a major of the Line, and that, while serving in India, they received the allowances fixed by the regulations in force in that country as remuneration for the duties performed by them. The Deputy Adjutant General most respectfully submits to your Royal Highness that this decision is not a satisfactory one, inasmuch as it is well known that the contract allowances were never given as pay, but for the purpose of keeping the battery equipment in charge in a serviceable condition, an arrangement which the Government found both convenient and necessary until the recent reorganisation of its arsenal has enabled it to carry out the repairs and to equip on the home system.

Chairman—continued.

Moreover, it is further submitted to your Royal Highness that this allowance was always drawn by officers in command of field batteries, irrespective of their being either major or captain, even though, as it has sometimes happened, the commanding officer was only a subaltern, and it never was regarded in the light of pay for actual rank. There can be no doubt that the majors of artillery in India should have received the increase of pay which their increase of rank, under the Warrant of 5th July 1872, entitled them to, as was granted to their fellow-majors serving at home, and this is borne out by the fact of the Indian Government conceding the higher rate of pay from the 1st April last. Many officers have made this a subject of great complaint at the annual inspection in India, and only this morning a letter was received from Lord Napier, which is enclosed, intimating the receipt of claims against the Indian Government from no less than 18 majors for the additional pay they conceive to be their due. In submitting this question for your Royal Highness's consideration, the Deputy Adjutant General has the honour to request permission to address a letter to the India Office bringing to the notice of the Secretary of State the views herein expressed."

275. Did the Field Marshal Commanding in Chief concur in your opinion?—Yes, he has written on this paper: "This paper had better be submitted to the Secretary of State."

276. That was forwarded to the India Office?—Yes; the Military Secretary wrote this letter in forwarding it to the Under Secretary of State for India on the 18th of November 1875: "Sir,—In acknowledging the receipt of India Office letter, dated the 3rd August last, number as per margin, on the subject of the Rate of Pay drawn by Officers of Artillery holding the rank of Regimental Major in India since 5th July 1872, I am desired by the Field Marshal Commanding in Chief to forward, for the information of the Right Honourable the Secretary of State for India in Council, a letter received from his Excellency the Commander in Chief in India (Lord Napier of Magdala), notifying the receipt of memorials from 18 majors of artillery upon the

Colonel *Radcliffe*, R.A.

17 July 1877.

Chairman—continued.

the same subject. His Royal Highness has also desired me to forward a memorandum from the Deputy Adjutant General of Artillery upon the same subject, in which it is contended that the issue of the contract allowances has no direct bearing upon the question of the rates of pay to which the majors in India are entitled from the date of their promotion to that grade" That is signed by the Military Secretary. That letter was then sent down to the India Office, and the India Office declined to receive it, on the ground that it was a financial matter, and that it should come through the Secretary of State for War; upon which a further memorandum was addressed to the Financial Secretary by the Military Secretary, and it is as follows: "Financial Secretary,—The Field Marshal Commanding in Chief being of opinion that the question raised in these papers regarding the pay of majors of Artillery in India is one of great importance, and which he considers should be forwarded to the India Office from the War Office, even if no opinion is expressed thereon, His Royal Highness has desired me to again forward them to you as the financial authority of the War Office appointed to deal with questions affecting the pay, &c. of the Army, under the Order in Council of 24th June 1870." There is a letter of Lord Napier's enclosed, which is as follows: "Head Quarters, Simla, 9th August 1875: "Sir,—I have the honour to state, for the information of His Royal Highness the Field Marshal Commanding in Chief, that I have received memorials from the following officers of the Royal Artillery, submitting their claims to the difference of pay between first captain and major, from the date of the Royal Warrant giving them major's pay and allowances on the date of their promotion to that rank, or from date of first arrival in this country in that rank. I do not forward the memorials, because they are precisely similar to the three transmitted with my letter (No. 771—Camp), dated 18th February 1875. Some of the officers in question had been receiving the pay of major while at home, and on arrival in India found themselves restricted to the Indian pay and allowances of a first captain. I have informed the officers that the question has been submitted for His Royal Highness's consideration." Then follow the names of the officers, and that is signed—"Napier of Magdala, General Commanding in Chief in India."

277. The letter referred to of February 1875 never reached, I think?—No, that never reached my office.

278. There is a return to say that it never reached the War Office at all?—Yes, that is so.

279. Has your attention been drawn to a letter from the Governor General of India in Council of the 15th of May 1873, addressed to the Secretary of State for India, representing that these officers were entitled to their pay?—Yes, I have it here.

280. Will you read that letter?—Yes. "To His Grace the Duke of Argyll, K.T., Her Majesty's Secretary of State for India. My Lord Duke,—We beg to transmit, for the consideration of Her Majesty's Government, memorials from the officers of the Royal Artillery and Royal Engineers, marginally named, appealing against their restriction to the pay and allowances of captains after promotion to the rank of major regimentally, as laid down in Government

Chairman—continued.

General Order, No. 841, of the 15th of August 1872, which announced the instructions conveyed in your Grace's Despatch, No. 141, of the 18th July 1872. (2.) In fowarding these memorials we have to express regret at the tone of one of them, which has been noticed by us in a letter to the Adjutant General, a copy of which is among the enclosures, nor do we acquiesce in the argument used generally in the memorials; but, on the whole, we have come to the conclusion that it would be expedient to grant the higher rates of pay, and to withdraw the contract allowances for repairs of carriages and harness of batteries of Royal Artillery. (3.) We think this will be the most satisfactory course. It is true that in most cases the profit from this contract exceeds the difference of pay between that of a captain and a major, but any prolonged active service would greatly reduce this rate of profit, or perhaps cause it entirely to disappear. Further, majors of Engineers receive no contract allowance whatever, and the grant of a hundred rupees a month, sanctioned by your Grace, to majors in command of garrison batteries, still leaves them with much less pay than majors of infantry. (4.) We believe that it will be practicable for the Ordnance Department to supply all material for the regular repair of carriages and harness of batteries, all small charges incurred by the majors being recovered on contingent bills, as is now done with respect to heavy batteries, and as was arranged for in the case of batteries of Royal Artillery, which came to India in 1857 and 1858. We trust that the saving by doing away with the contract system will go far towards meeting the extra pay of the majors of Royal Artillery and Royal Engineers. (5.) We would, therefore, propose that, from the 1st April next, all majors of Royal Artillery and Royal Engineers in India should receive the pay recently allowed to lieutenant colonels of these corps on majors' pay, and that the contract allowance for repairs of carriages and harness should cease, command money and allowance for shoeing, &c., and for repairs of arms, continuing as at present. (6.) Any serviceable material in possession of officers commanding batteries would thus be taken over by Government at a valuation. (7.) From the same date we would propose to discontinue the higher command allowance of 250 rupees and 100 rupees given to officers in command of heavy field and garrison batteries respectively, restricting them to the lower rate of command money given to officers commanding batteries of horse or field artillery. The former was originally given in lieu of a contract allowance, and the latter was specially sanctioned by your Grace in consequence of the full major's pay not having been given to majors of Royal Artillery. (8.) We desire to submit the foregoing proposals for the sanction of your Grace, and believe that while all reasonable cause for discontent will be removed by the proposed concession to officers of Royal Artillery and Engineers, various anomalies which may at times lead to inconveniences will be removed by doing away with the system of contracts, which, though perhaps well adapted to the former state of things in the Indian Artillery, is hardly as well suited to the present time when batteries are often commanded by officers fresh from England, and when improved means of communication render it more easy for the Ordnance Department to supply the wants

of

Chairman—continued.

of batteries with proper regularity. We are, &c. (signed), Northbrook, Napier of Magdala, R. Temple, B. H. Ellis, H. W. Norman, A. Hobhouse, E. C. Bayley."

281. On the 17th of April 1874, a very important letter was addressed likewise from the Governor General of India in Council, after an 18 months' investigation into the system of contracts. I think from that we may gather two facts; that the Governor General of India in Council had in the meantime expressed the opinion that the officers in command of the batteries could not make the difference of pay between that of a captain and a major; and secondly, that they were losers by more than one-half of the amount of the contract. I allude to No. 85 of 1874, at page 25 of the Parliamentary Paper, No. 258?—Yes.

282. Will you read that letter, which is dated "Fort William, 17th April 1874"?—"To the most Honourable the Marquess of Salisbury, Her Majesty's Secretary of State for India. My Lord Marquess,—We have now the honour to reply to the Despatch of your Lordship's predecessor, No. 154, of the 14th August 1873, in answer to our proposals to give the ordinary pay of majors to officers holding that rank in the Royal Artillery and Royal Engineers in India, and, with certain exceptions, to abolish the contract allowances now drawn by officers in command of batteries of Artillery. (2.) We had in our Despatch, No. 96, of the 15th May last, forwarded certain memorials from officers of the Royal Artillery and Royal Engineers appealing against their restriction to the pay of captain after promotion to the rank of major, and we had expressed our opinion that, on the whole, for reasons which we gave, it would be better to grant the higher pay and to withdraw the contract allowances, the profit arising from which had been assigned as a reason for not increasing the pay of majors of Royal Artillery when all first captains were promoted to the higher rank. We were unable to state the exact cost of this measure, but we expressed a hope that the assumption of the contracts by Government would go far to counterbalance the cost entailed by giving the higher pay. (3.) In reply, the Secretary of State intimated that our taking into consideration the memorials of officers of the British service was informal and inconvenient, and it was said that if these officers were dissatisfied with the regulations under which they serve in India they should address the authorities at the War Office through the Commander in Chief in India. As, however, our Government had taken these representations into consideration, his Grace did not decline to consider them, but desired to be informed, as fully and accurately as possible, of the financial effect of the withdrawal of the whole, or only such portion of the battery contract allowance as we proposed to take over. (4.) We desire respectfully to represent that it seemed to us to come within our proper duties to consider serious representations addressed to us through the Commander in Chief in India with respect to rules which are only applicable to India, and any modification of which in the only direction that seemed possible, required careful consideration by this Government, while all but one of the officers who made representations were officers of the late corps of Indian Artillery and Engineers. (5.) We have done our best to obtain as accurate an estimate as

Chairman—continued.

Colonel *Radcliffe*, R.A.

17 July 1877.

can be prepared of the probable financial results of our proposals, but any such estimate must be greatly based upon suppositions as far as the saving is concerned. It is easy to estimate the extra cost of giving the increased pay, but a wide margin must be left in the estimate of saving to Government by taking over the contracts. The Government has no means of knowing what was the actual profit obtained by officers commanding batteries in India out of the contract allowance. That profit depended not only upon the carefulness or otherwise of individual officers, but also on the part of the country in which batteries were stationed, and the circumstance of their being moved about or not, or serving in active operations against an enemy, or with camps of exercise. At times it is possible that officers cleared very little, but on the whole it is apparently pretty certain that officers of batteries of field or horse artillery cleared from 150 rupees to 200 rupees per mensem, or perhaps more. Whether under a system of management by a Government department the saving will be greater or less than the average profit of officers is an open question, for while, on the one hand, articles supplied by Government should be rather cheaper than those provided by individual battery officers, a very strong inducement that now operates on the battery officer to take the most strict care of his equipments will be removed. (6.) What we now propose for the consideration of your Lordship as respects pay is as follows: (I.) To increase the pay of all majors of horse and foot artillery in India with their batteries to *Rs.* 929. 6. 4., and *Rs.* 759. 3. respectively per mensem; the present battery command allowance of 30 rupees per mensem being included in the pay just as the 1*s.* 6*d.* a day command pay given to majors in command of batteries out of India, brings up their total pay to that of majors of cavalry or infantry. Officers with mounted batteries of foot artillery would draw horse allowance in addition as at present. (II.) When absent from batteries except upon privilege leave of absence, the majors to cease to draw the 30 rupees command money, which would then go to the officer actually in command of the battery. (III.) The command money of 30 rupees per mensem to cover the command and charge of any armament to which the battery is attached, whether of horse, field, mountain, or siege artillery, or the armament of a fortress, the command money of 250 rupees per mensem now given for heavy field batteries, and of 100 rupees for garrison batteries ceasing. (IV.) Majors of Royal Engineers, when not in receipt of any staff salary or command money, to draw *Rs.* 729. 3. per mensem, like majors of foot artillery, and when in receipt of a consolidated pay, with pay proper, to draw for the latter *Rs.* 182. 10. per mensem, the equivalent of English pay of rank, instead of 140 rupees, as at present. (V.) Majors of Royal Artillery and Royal Engineers in receipt of staff salaries to draw *Rs.* 640. 14. per mensem, the pay given to majors of other branches who draw staff salaries. (7.) With respect to the various contract allowances, we propose altogether to withdraw the following: the supply and repair of articles now provided for out of that allowance, devolving henceforth on the Ordnance Department. Allowance for repair of guns and waggons in horse artillery and field batteries at 90 rupees a month. Allowance for repair of 2nd line of

Colonel *Radcliffe*, R.A.

17 July 1877.

Chairman—continued.

waggons in these batteries to which they are attached, at 30 rupees a month. Repair of the forge cart, store cart, spare howitzer carriage, and store limber waggon, in each battery of horse and field artillery, at 20 rupees each battery; repair of saddlery and harness, at 266 rupees a month, in horse artillery, and 155 rupees in field batteries; repair of guns and carriages, and one spare carriage in mountain batteries, at 50 rupees a month; repair of the leather ammunition boxes of mountain batteries at *Rs.* 21. 8. a month; repair of harness and gear of the battery mules, and of saddlery of the riding ponies in mountain batteries, at 228 rupees a month. (8.) We do not propose to withdraw the allowance given for repair of arms and accoutrements, which is 30 rupees per mensem in all batteries, except mountain batteries, in which it is 20 rupees per mensem. This allowance corresponds to what is given in the cavalry and infantry for a similar purpose, and it is convenient to leave the duty of providing for these repairs in the hands of officers commanding batteries. Nor do we propose to interfere with the small allowances given for the supply of pots for soaking gram, and for cavessons and petty stores, which may also most conveniently remain in the hands of commandants of batteries. (9.) There remains one description of contract allowance regarding which we have as yet come to no decision. It is that of 2 rupees per mensem for each horse, and 1 rupee for each mule of a mountain battery. Though called shoeing allowance, what is called line gear has to be provided out of these sums. This includes blankets, head-stalls, nosebags, picketting ropes and pegs, and it is asserted that this part of the contract does not pay the actual outlay. It is believed that it used to be ample, but the enclosures of this letter go far to show that, with the increase of articles required to be kept up, the superior quality perhaps now demanded by inspecting officers, and a rise in prices, this contract is usually unprofitable; indeed, it appears almost certain that if the contract system were continued, this contract would have to be modified. (10.) With respect to this contract, we beg to refer your Lordship to our secretary's letter, No. 1645, of the 30th March 1874, to the Adjutant General, in which the opinion of his Excellency the Commander in Chief is asked. It appears probable that it would be more conducive to efficiency to leave in the hands of the major the arrangements for shoeing the horses of his battery, and for the supply of the minor articles detailed in the last paragraph, and we shall await the expression of the views of Lord Napier of Magdala as to whether this contract should be withdrawn wholly or in part, or otherwise modified; and we have especially desired to know whether it is absolutely necessary to keep up all the articles now required by regulation to be maintained out of this contract allowance. (11.) We therefore propose to defer to recommend to your Lordship whether this allowance shall be retained or withdrawn, or modified, until we have received the Commander in Chief's reply, but we do not apprehend that any decision that may be arrived at with respect to this allowance will materially affect our calculations as hereafter given, save in so far as it may be proved that the existing allowance is insufficient for the supply and repair of such articles of line gear as are indispensably necessary for efficiency. (12.)

Chairman—continued.

To enable us to form as good an estimate as is possible of the cost of our proposals, we have called for information from the three Presidencies. This has been received in considerable detail from Bengal and Madras, as will be seen from the enclosures. From Bombay, we regret to say that we have not yet been able to obtain information. We are unwilling, however, to delay any longer our reply to the Duke of Argyll's Despatch, and the information before us is probably sufficient to enable as good an approximate estimate as is practicable to be framed. We therefore enclose the Memorandum of the Accountant General, Military Department, on the subject. His first report showed an extra charge of about 40,000*l.* per annum in pay, with a probable saving of 13,000*l.* by contract allowances and modification of command allowances. It appears, however, that a further saving of 3,000*l.* per annum would accrue from the command money of 30 rupees per mensem being merged in the revised rate of major's pay. On the other hand, he has calculated for a saving of 25 per cent. on all the contract allowances, but we do not propose to withdraw or alter certain of these allowances, and are still undecided as to the propriety of withdrawing that for shoeing and line gear, on which, even if taken over by Government, any saving is very doubtful. Indeed, an actual increase of expenditure may, under any circumstances, be necessary to meet the higher cost of this particular branch of the contract, which many officers assert they have hitherto met out of the profits on other branches of the contract. (13.) With this element of uncertainty added to the absolute uncertainty as to whether the actual saving on contracts taken over will be 25 per cent., or less, or more, we are unable to do more than indicate, in a general way, that the net increased cost will probably be over 30,000*l.* a-year, but must be under 40,000*l.* (14.) Mr. Kellner's Memorandum will show what would be the assumed total outlay if all contracts were taken over, that is 24,000*l.* a-year, but, as we have before said, some of the smaller contracts could hardly be satisfactorily taken over by Government, and, on the whole, the outlay cannot safely be estimated under the most favourable circumstances at less than 30,000*l.* a-year. (15.) We think, however, that the expenditure is necessary, for as officers have been given a certain rank, they not unnaturally look to receive the pay of that rank, and the reply that the higher pay is not given because they are assumed to make a certain profit out of battery contracts, will never be satisfactory to those concerned, while we do not consider that the contract system itself will for long be generally acceptable to officers of Royal Artillery. (16.) Should your Lordship approve of our proposals, we would not desire to introduce them till the 1st April 1875. Our Inspector General of Ordnance would like to have some months' preparation before taking over his new duties of supply, and a notice of several months would enable officers in command of batteries to use up their stock of contract material before the new system came into operation.—We are, &c. (signed) Northbrook, Napier of Magdala, B. H. Ellis, H. W. Norman, A. Hobhouse, E. C. Bayley, J. F. D. Inglis."

283. You have therefore two facts; the first is the letter of the 15th of May 1873, in which the Government of India point out distinctly that majors

Chairman—continued.

majors of Engineers receive no contract allowance whatever, and the grant of 100 rupees a month to majors in command of garrison batteries still leave them with much less pay than majors of infantry; and secondly, a strong expression of opinion that the course of not granting the pay to officers who were receiving contract allowances was one which could not be satisfactory to the officers concerned?—Yes.

284. If you will look at the enclosure from the Accountant General in India to the latter letter, at page 30 of the Parliamentary Paper, you will find that the contract allowances are put down at 789 rupees per month for a horse battery, and 540 rupees for a foot battery; that is equivalent, I believe, to 947 *l.* per annum for the one, and 648 *l.* per annum for the other?—Yes, I suppose it is so.

285. The difference of pay between a captain and a major of the Line is, in the cavalry, this: the major's pay being 929 rupees a month, that of a captain is 563, leaving a difference of 366 rupees, or 36 *l.* 6 *s.* In the infantry it is 789 rupees for a major, and a captain of Artillery 433, leaving a difference of 356 rupees, or 35 *l.*?—Yes.

286. Now if the contract allowance for the Horse Artillery is 947 *l.* per annum, and for the field batteries 648 *l.* per annum, and it is stated on the authority of the Accountant General of India that these officers were supposed all round to have made 20 per cent. on the contract allowances, that would give, would it not, 189 *l.* per annum for the Horse Artillery, and 129 *l.* for the Foot Artillery, against the differences of 435 *l.* and 423 *l.* per annum?—Yes.

287. Therefore, supposing that these officers in receipt of what they call beneficial contracts did make their 20 per cent., to take the Government figures as granted and not questioned, nevertheless an officer not getting his pay as major in the Horse Artillery was at a loss of 246 *l.* per annum, and in the Field Artillery at a loss of 294 *l.* per annum?—Yes.

288. A good deal has been said about there being an addition made of 70 rupees a month to the majors of garrison batteries; taking that, which would be equal to 84 *l.* per annum, if you put that against the 420 *l.* which they would receive, if they receive the pay of their rank, that leaves them with a loss of 336 *l.* per annum?—Yes.

289. That is to say, that supposing the Government figures to be accepted in full, these officers have been at this loss; supposing you put it as part of their pay, there is still that loss to them per annum from not receiving their pay during those years, 1872, 1873, and 1874?—No doubt.

290. Now you remember, perhaps, that when the Royal Artillery proceeded to India first, in the year 1857, there were no second captains in the Indian Artillery?—No, there were not.

291. There was rather a difficulty which arose as to what should be the pay and allowances of the British second captains?—Yes.

292. The order given by Lord Canning at the time was, that they should receive the British pay of captain and the Indian allowances of subalterns?—Yes.

293. On its being represented to him that they were *bonâ fide* captains in the army the order was at once rectified, and they received the allowances and the pay of captains?—Yes, I think in 1858 that was.

Chairman—continued.

294. You are also aware, perhaps, that when the Royal Artillery proceeded to India first in that year, owing to the different organisations of the artillery of the Government of India, as compared with the Royal Artillery, representations were at once made by the Government of India to request the permission of the Home authorities, through the Board of Control, to create second captains in their corps?—Yes, no doubt of it.

295. And so jealous were they that their army should be on the most full and equal footing with the British troops that a very large promotion was made at that time by the Government of India, in order to place those officers on a footing of perfect equality with those of the British troops?—Yes; the Indian Artillery were organised on the same footing as ourselves.

296. That was in order to put them on a perfect footing of equality?—Yes.

297. You stated, I think, the other day that no reply was received from the India Office with reference to the various memorials and letters which had been forwarded either through the Horse Guards or direct from the War Office?—No direct reply; no direct conclusion of the question.

298. Was any reply received from the India Office for you to inform these officers of at any time prior to the 13th of June 1877, indicating that when these majors had been promoted in 1872, the War Office had agreed that they should receive no addition to their pay as captains?—No; there was no decided reply till then.

299. Was there any reply to that effect?—No. Perhaps I may say that on the 23rd of June 1875, there was a letter from the Military Secretary to the India Office, to the effect that the memorials would not be granted, and calling attention to the letter of the India Office, dated 11th of July 1872, to the effect that the majors were sufficiently well paid through the contracts; it was to that effect.

300. That was no decision, was it?—There was no decision given.

301. We have before us a Parliamentary Paper of the 2nd of March 1877, in which there is the following correspondence:—"His Excellency the Commander in Chief in India to the Officer Commanding the 18th Brigade, Royal Artillery, Sheffield, Royal Artillery in India. Pay and Allowances, Deputy Adjutant General's Office, Royal Artillery. Head-quarters, Simla, 24th July 1876. Sir,—I have the honour, by desire of his Excellency the Commander in Chief in India, to inform you that intimation has been received from the Secretary of State for India, that the petitions of the undermentioned officers for the Indian pay and allowances of a major of Royal Artillery, prior to the 1st April 1875, will be submitted to Parliament in due course." That was brought to your notice on the 28th of September 1876, by a letter from one of these officers, dated Coventry, which is as follows: "Sir,—In continuation of my letter of the 25th instant, and with reference to previous correspondence respecting the arrears of pay due to me. I have the honour to annex copy of a letter which I have received from the Deputy Adjutant General, Royal Artillery, in India, and I shall feel obliged by an explanation of its purport, as I have not petitioned Parliament. I beg you will do me the favour to forward this request to the Deputy Adjutant General, Royal Artillery, Horse Guards."

Colonel *Radcliffe*, R.A.

17 July 1877.

Chairman—continued.

Guards." That appears to have been forwarded on by you to the India Office?—Yes.

302. Has any explanation been given to you of that letter?—No.

303. I think you put in a letter which you received lately?—Yes, signed by Sir Frederick Haines, the Commander in Chief in India.

304. It is to the same effect, signed by the Commander in Chief in India, received within the last two days, I may say?—Yes, it is dated "Simla, 24th May 1877," and is as follows: "Sir, —I have the honour, with reference to your letter, No. 1—29,798, dated 24th February 1877, to forward, for the information of His Royal Highness the Field Marshal Commanding in Chief, the enclosed letter from the Controller of Military Accounts, Bengal, relative to the claim for compensation for knee boots and arrears of pay, preferred on behalf of the non-commissioned officers and men of A. Battery, A. Brigade, Royal Horse Artillery, by the officer commanding that battery. (2.) With regard to the claim made by Major F. G. Ravenhill, of the above battery, for the Indian pay and allowances of his rank prior to the 1st April 1875, I beg to state, for His Royal Highness's information, that this claim was first received from that officer on the 23rd August 1875, and submitted to the Government of India in the Military Department, on the 13th September 1875. (3.) On the 31st March 1876, intimation was received from that department that the petition would be presented to Parliament in due course, and no additional communication on the subject has since been received. (4.) The enclosures of your letter under reply are herewith returned. I have the honour to be, Sir, your most obedient servant, *Frederick Haines*, General Commander in Chief in India."

305. I find this on the last page of a Paper which has been printed for our Appendix: "Extra Military Despatch to the Government of India, No. 35, dated 3rd February 1876." "Reply to letter from India, No. 230, dated 30th September 1875. The memorials from officers of Royal Artillery regarding pay will be presented to Parliament in due course. (True copy.) *A. Johnson*, Colonel." With the exception of that one statement, have these officers received any other reply whatever?—No.

306. And are you aware of any action whatever having been taken, or have you been informed or communicated with to the effect that any information was intended to take place, or did take place, between the month of February last year and the present time?—I am not aware of any.

Mr. *Arthur Mills*.

307. In reference to these contract allowances, I asked you a question last Friday when you were here, at Question 214, as to your own experience in reference to these contract allowances, and you said, "When I went out in 1857 I certainly made a good deal myself;" and you go on to give the reasons why you were successful in that respect. From your knowledge and observation, was that the case with a large number of officers in India; were the contract allowances profitable to them?—I think those who went out similarly circumstanced as I was then must have done the same thing, because we all went out with new equipments; we took out our guns and harness, and everything complete, and therefore

Mr. *Arthur Mills*—continued.

there was very little repair necessary to be done, naturally.

308. Taking it generally, if I may use the phrase, taking it all round, do you think that on the whole, so far as your observation goes, the business was rather a matter of profit or of loss?—I should certainly say on the whole it was a matter of profit. I think an opinion upon the subject to that effect was expressed in that letter of the Governor General in Council.

309. I want quite to understand in reference to your answers given to Mr. Fawcett, and, I think, also to the Chairman, your position here; do we understand that you are here as representing the opinion and the views generally of the War Department?—No; I do not pretend to represent the views of the War Department at all.

310. Then do we understand that you represent personally the views of the Commander in Chief?—As I said before, I think all that I have said is in accordance with His Royal Highness's views; and I am further supported in that idea by my having seen him on Saturday, and having mentioned the line of my answers, and he gave his approval, as far as I could understand. I also mentioned to him that I had put in the Memorandum which I have read this morning, and he saw no objection to that.

311. Then are we to understand on the whole that though in coming here you are not, so to say, an official witness of the War Department, you believe that you are expressing the opinions which the Commander in Chief entertains?—Yes.

Sir *Henry Wolff*.

312. I want to ask you one question with reference to a question I asked you the other day. I asked you whether the money given for contracts did not represent certain additional duties; I suppose the duties imposed upon an artillery captain by these contracts occupied a certain portion of his time?—Certainly.

313. A great deal, or a little, which would you say?—Of course it must take him more time to look round him for his supplies than merely to get them upon demand from the arsenals.

314. And therefore it took him probably an hour or two out of the day; is that so?—I really could not say what amount of time; but of course it must give him more time and trouble.

315. And anxiety?—And anxiety.

Mr. *Denzil Onslow*.

316. In answer to Question 206, put by Sir Walter Barttelot, you say, "Very often I believe officers were out of pocket by them;" that was the contract allowances. Now can you give any instance of any officer being materially out of pocket by them?—No, I cannot name any instance.

317. Of your own personal knowledge you know of no case?—No, I do not.

318. Have you ever heard any complaint made by any officer that he was out of pocket by them?—No, I have not; but I must remind you that I have only been in India a very short time. I was only in India for a year.

319. I was going to put that question; you were only in India for a year?—Yes, and officers of the Indian Artillery who have served all their life

Mr. *Denzil Onslow*—continued.

life there, and who I understand are to be called, would give you much more satisfactory evidence on that subject than I should.

320. At all events, so far as you are concerned, during the time you were out in India, namely, a year, you heard no complaint of any officer being out of pocket on account of the contract allowance being too small?—No, I do not remember any.

321. Will you tell the Committee the actual pay of an officer in command of a battery in India, irrespective of the allowances?—I do not know that I could give it you at this moment.

322. The allowance for command according to paragraph 7 of Despatch 96 of 1873, at page 10, is 250 rupees a month, and 100 rupees given to officers in command of heavy field and garrison batteries respectively; that is 350 rupees, is it not?—I cannot tell you the exact pay; the 100 rupees was given when they were first made majors, to majors commanding garrison batteries, because they had not the contract allowances. They had 70 rupees additional to the 30 which they held before as command pay.

323. I wish to get the aggregate allowances, irrespective of pay, of officers in command of batteries in India?—I cannot give that.

324. Supposing these officers were to get the extra pay of majors, and at the same time to get the allowances according to Despatch No. 96 of 1873, would it be the fact that, taking the addition to their pay, it would be more than the pay of a lieutenant colonel?—I am not aware that it would.

325. You cannot speak positively?—No.

326. I will take your case. You said that you made a large profit during the time you were out in India, for a year, because you went out fully equipped with new harness and all new gear. Now, that being the case, I suppose that you were not occupied very much during the day in extra duty in looking after the general gear of your battery?—No, I do not suppose that I was, specially in that way.

327. Could you tell the Committee how much time it took you every day to look after the interest of your battery when you had all your gear complete and new?—I think it would be a question almost impossible to answer; I can only tell you that an officer commanding a battery of artillery has very little spare time; he has an immense amount of work to do in every way.

328. On account of this extra duty imposed on him, do you mean?—No, not only that, but he has to do the duty generally of an officer commanding a regiment without the assistance: he has no staff, no adjutant, no quartermaster, no paymaster, and he has to do all those duties in the same way as if he were an officer commanding a regiment; and he has to do them probably with an establishment of five officers, if all there, and seldom more than three.

329. And may the Committee take it that this extra duty of keeping the battery in order which you have mentioned is, on the whole, light or onerous?—It would certainly be very onerous during active operations.

330. But not in time of peace?—No, I should not think it was.

Sir *George Balfour*.

331. It is some years since you left India, and you necessarily are not acquainted with all the changes that have taken place during that period in pay and allowances?—No, I am not.

Sir *George Balfour*—continued.

332. But as you got a number of able officers about you thoroughly acquainted with the Indian system, I suppose you could come before the Committee and give us an exact account of the changes that have taken place in the pay and allowances of batteries?—Perhaps so.

333. If I were to give you one of these books containing the Budget statement, do you think you could tell the Committee the cost of a horse artillery battery and of a field battery before the contracts were done away with, and the cost they are now that the contracts are done away with?—It would be simply the difference of the contract allowances and the pay now given to the majors.

334. The pay has been changed from that of a captain to that of a major, and they have taken away the contract for the harness; they have taken away the contracts for the guns, and they have added on to the pay of a major, and slightly added for the command of a battery. These are the only changes that have taken place, are they not?—That is all.

335. Therefore if the Committee wished you to appear again, and with the Indian Budget before you, you would be able with the utmost ease to give most exact information, such as my honourable friend has been just asking for, with reference to the exact cost formerly and at present?—Yes, I think I could. Perhaps it would be satisfactory if I were to send a memorandum to that effect.

336. In connection with the statements you have made, you are aware that when the Royal Artillery went out to India several officers refused to take the contract allowances, and the Government authorised discharges to be paid to the officers upon their contingent bills, because the officers declined to take the contract allowances?—I think there are such cases.

337. Will you be good enough to inquire and come before the Committee next time with the information which you can give them with regard to the willingness of the officers to take up the contract allowances?—Yes, if the Committee desire it.

338. I asked you on the last occasion with regard to the number of officers that were drawing contract allowances; have you prepared the statement which I asked you to prepare?—Yes. (*The same was handed in*, vide *Appendix*.)

339. Will you be good enough to tell us how many batteries there were in 1872 that were allowed contract allowances?—On the 1st July 1872 there were 11 horse and 43 field batteries.

340. How many garrisons were there?—Twenty-eight, including the heavy batteries.

341. Will you tell us now the difference between then and the present time?—At the present time there are 15 horse, 43 field, and two mountain batteries.

342. What is the number of garrison batteries?—Twenty-eight.

343. The total number altogether is about 86, is it not?—Yes, 86.

344. Will you be good enough to refer to the letter of the 5th of February 1872, from the India Office to the Secretary of State for War, and will you be good enough to tell us how many captains are stated there to be entitled to the rank of major?—"The immediate effect of this

Colonel *Radcliffe*, R.A.

17 July 1877.

Sir *George Balfour*—continued.

this measure on India would be to increase the pay of 120 officers by about 420*l.* per annum."

345. Now, at that date were there 120 officers?—There may have been more officers than there were batteries there.

346. Were there 120 first captains of artillery then in India?—I should say about that number.

347. Therefore your returns only show 76, instead of 120?—Yes, 76 first captains in actual command of batteries.

348. How do you make out the sum of 420*l.* as that which would be paid to every captain on promotion to the rank of major?—I could not answer that.

349. You have already answered the Chairman's question with regard to the difference between the pay and allowances of a captain and a major?—I do not know whether that is correct.

350. If you come before the Committee next time, will you inform yourself whether 420*l.* is a gross overcharge, or not?—Yes.

351. And whether the sum is not nearer 350*l.*?—Yes.

352. Therefore the 50,000*l.* which you find stated in that letter of the 5th of February 1872, you would be inclined to think was a very considerable overcharge?—If that was the case as you state it.

353. You have made yourself well acquainted with the statements, have you not, connected with the contract allowances?—Yes, as far as my opportunities for information admitted.

354. I will only confine myself simply to this one question, that the general impression left upon your mind from communication with the officers has been that of late years they have not desired to retain those contract allowances for the sake of making profit?—I have not that impression; I never heard that.

355. Are you not aware that the officers on several occasions have mentioned that the time has gone by when profits were made, in consequence of the large increase in prices?—No, I have not been led to receive that impression.

Mr. *William Holms.*

356. I find from a Despatch, No. 85 of 1874, at page 25 of the Parliamentary Paper, and from the Memorandum attached to it, that there are 100 majors of Artillery to be calculated for. Do I understand that of that number 49 had contract allowances in 1872?—This return would show that.

357. And as to that number who had contract allowances, is it the case that many of them, looking at the trouble which the contract allowances gave them, and the amount of work resulting from them, would rather have been without them?—I never heard that expressed; the only objection that I ever heard to the contracts was, that officers thought they were bad on principle; and it particularly struck the Royal Artillery when first going out to India in 1857.

Mr. *Carpenter Garnier.*

358. You assume, do not you, that these concontracts were beneficial to the officers in a money point of view?—I think as a general rule they were.

359. Do your think that these officers have a claim to the back pay from the date of the Warrant?—Yes.

Mr. *Carpenter Garnier*—continued.

360. Whether they had contract allowances or not?—I do not think the contract allowances have anything to do with their pay.

361. But assuming that they had the additional pay and the contract allowances, they would be in a better position than officers holding a similar command now, because the contract allowances have been done away with?—If they had the pay of majors and the contract allowances, of course they would be in a better position than they are now.

Mr. *Muntz.*

362. In your answer to Mr. Denzil Onslow, you said that there were onerous duties for those officers who had contracts?—Would they occupy the time of the officers two hours a week, do you suppose?—I should think considerably more.

363. All the year round?—I should think so.

Lord *George Hamilton.*

364. You read one or two Despatches from the Government of India to the Secretary of State for India; would you please look at the reply to the last Despatch which you read, the reply I mean from Lord Salisbury, at page 32, and would you just read the last three paragraphs of that Despatch, because I think they will explain the reason why the memorials were not before acknowledged, or answered?—"(11.) It is proper that I should notice, before closing this Despatch, the explanation afforded in the 4th paragraph of your letter under acknowledgment, of the course followed by you in connection with the question of forwarding memorials from officers of Her Majesty's British service relating to their pay and position as regimental officers. (12.) Upon this I have only to observe that it may be quite proper that questions affecting British officers, as holding appointments conferred upon them at the pleasure of the local government should be addressed through the Commander in Chief to that government, but it would be obviously extremely inconvenient to sanction the introduction of so novel a proceeding as that of officers of British regiments temporarily employed in India appealing to the Government of that country, and through them to the Secretary of State for India, upon subjects relating to pay or other privileges due to their regimental position. (13.) The circumstance that most of the memorialists in the present case happen to have been formerly in the local service, though it might induce the Government to look with greater interest upon their statements, can make no difference in the soundness of the established rule and principle in this respect."

365. And that is, as far as you know, is it not, the rule of the service, that officers who have any complaints to make concerning their pay or privileges in India address the Commander in Chief in India, who forwards the memorial to the Commander in Chief in England?—Yes.

366. It was because by some accident or other these memorials were forwarded to the Secretary of State for India, and not to the Commander in Chief here, that so much delay occurred?—It may be so; I know so little about that, because they do not come through me in any way.

367. You stated in your previous answer that you came here officially; by that I understand you to mean that, occupying the very responsible post

Lord *George Hamilton*—continued.

post of Adjutant General of the Artillery, you did not feel yourself quite a private witness, and that in giving your evidence you believed you were directly representing the views of the Commander in Chief?—Yes, I believe that I am representing them; but I should give my opinion in the same way if I were not representing them.

368. But you said that you came in an official capacity, not meaning to say that you represented the Secretary of State for War, but that you came as Adjutant General of Artillery?—I certainly do not represent the Secretary of State for War in any particular; I was called as Adjutant General of Artillery because I was in a position to give information that other people could not.

369. And you are well acquainted with the opinions of the officers of Artillery concerning this question?—Yes, I consider that I am.

370. Now, in your evidence which you gave last time, as well as to-day, you have more than once stated that, in your opinion, the question of contract allowances has nothing whatever to do with the question of pay?—Yes.

371. And you read two Despatches of the Government of India; can you show any passage in either of those Despatches which supports that view which you took?—Yes, I thought that they did support that view.

372. I ask the question because I think that, in both the Despatches which you read, the proposal to grant increased pay is entirely contingent upon the abolition of contract allowances?—I was alluding to the 15th paragraph in the letter of the 17th of April 1874, where the Governor General in Council states: "We think, however, that the expenditure is necessary, for, as officers have been given a certain rank, they not unnaturally look to receive the pay of that rank."

373. Yes, but that expenditure which is there alluded to, is not the increase of pay irrespective of contract allowances; but it is the cost which will be put upon the Indian Government by increasing the pay, and after having abolished contract allowances?—But the pay is merely the pay of the rank. The contract allowances were not for the convenience of the officer, or for the benefit of the officer, but for the convenience of the Government; and I believe it is a mooted point whether an officer is legally bound to accept the contract.

374. At paragraph 14 of that Despatch, the Government of India states, that "Mr. Kellner's Memorandum will show what would be the assumed total outlay if all contracts were taken over, that is 24,000 *l.* a year; but, as we have before said, some of the smaller contracts could hardly be satisfactorily taken over by Government, and on the whole, the outlay cannot safely be estimated under the most favourable circumstances at less than 30,000 *l.* a year"; now, that expenditure of 30,000 *l.* a year is taking an increase of about 40,000 *l.* a year by the increase given to the pay of the officers, and a saving to the Estimates of about 13,000 *l.* a year by taking over the contract allowances?—Yes.

375. Therefore you will see that the only interpretation which can be put upon that passage is, that the increased pay is only to be given when contract allowances are taken over?—It was the intention of the Government, of course, to do that.

Lord *George Hamilton*—continued.

376. If you read paragraph 10, the Government of India there say that they would not desire to introduce these proposals till the 1st of April 1875, because the Inspector General of Ordnance would like to have some months' preparation to make himself ready for the new system?—So as to get his supplies.

377. Do you not think that these two Despatches (with which I am pretty well acquainted) go on exactly the reverse principle of what you laid down, that is to say, that they propose to give increased pay contingent on the abolition of the contract allowances?—If you continue to read that paragraph, No. 15, "and the reply that the higher pay is not given because they are assumed to make a certain profit out of battery contracts will never be satisfactory to those concerned, while we do not consider that the contract system itself will for long be generally acceptable to officers of Royal Artillery"?—I think that rather tends the other way.

378. That Despatch is in reply to a Despatch from the Duke of Argyll, which Despatch is in reply to a preceding Despatch from the Government of India. The Government of India in 1873 proposed to take over the contract allowances, and give increased pay from the 1st of April 1874, and the Duke of Argyll declined to accede to that till he knew what the exact cost would be; you are aware of that?—I was not aware of that.

379. Until you were summoned to attend here to-day you have not considered it necessary to go into these points?—They were matters that do not concern me in any way; they were carried on between the Government of India and the India Office, and I had nothing to do with them at all.

380. Then as regards this Royal Warrant, the object of that, as I understand, was twofold; it was to give an increased position to officers commanding batteries, and also to give to them an increase to their emoluments as commanding batteries?—To give them the major's pay with the increased command.

381. But as a matter of fact a major in the Artillery does not receive the pay of a major of the Line unless he is in command of a battery?—No; he merely receives 14*s.* 6*d.*, and 1*s.* 6*d.* when in command.

382. Therefore the Royal Warrant, by which alone the first captains of Artillery get the rank of major, lays down that unless they are in command of a battery their pay shall not be the same as that of a major of the Line?—Yes, it is so.

383. And that 1*s.* 6*d.* which the majors receive when in command of a battery may be looked upon as a command allowance?—Yes.

384. Then if the object at the War Office was to improve the position of officers commanding batteries, do not you think that in all justice and equity we ought to take into consideration the exceptional emoluments which officers in command of batteries in India obtain through the contract allowances?—I do not think you ought.

385. You, of course, very properly represent what the views of the Artillery are. I would like to ask you this question: Do you think it would be fair now upon the Indian Government if a major of Artillery for a certain period were to draw much more pay and allowances in India than a lieutenant colonel of Artillery serving in India?

Colonel *Radcliffe*, R.A.

17 July 1877.

Lord *George Hamilton*—continued.

India?—That is not possible, I should think, is it?

386. There are certain elephant batteries in India?—Yes.

387. Were there contract allowances to the officers commanding those elephant batteries?—Yes, I believe there were.

388. But they have been abolished?—Yes, since April 1875.

389. Are you certain that there were contract allowances?—Yes, I think so.

390. Was not it the case that the officers commanding elephant batteries received as compensation for the absence of contract allowances, 250 rupees a month?—But it was to supply their gear, and so on; it was to be expended in a similar way to the contract allowances; they were not made in the same way, because you do not shoe elephants, and they do not require all the necessary gear that horses do; and therefore it was a different arrangement; that is the way I understood it.

391. But the fact remains that they received compensation for the absence of the contract allowances?—But to do the same duty I imagine, that is to say, to supply and keep up all their batteries in the same way.

392. Now if you look at page 10, paragraph 7, of the Despatch of the Government of India, they say: "From the same date we would propose to discontinue the higher command allowance of 250 rupees and 100 rupees given to officers in command of heavy field and garrison batteries respectively, restricting them to the lower rate of command money given to officers commanding batteries of Horse or Field Artillery. The former was originally given in lieu of a contract allowance"?—That is to the elephant battery.

393. Anyhow there appear to have been certain batteries in India, the commanders of which had no contract allowances, and as compensation for the absence of those allowances they received 250 rupees a month; that is self-evident, is it not?—It appears so; but as I said before, I think it was merely for the same object as the contract allowances.

394. But supposing I am correct in my interpretation that the 250 rupees went straight into their pockets monthly, ought not that payment to be taken into consideration when you consider what pay they should draw; supposing there are batteries, the commander of which receive directly from the Government 250 rupees a month as compensation, which goes straight into their pockets, ought not that to be taken into consideration?—I suppose the Government of India would not have given it without having good reason for doing so, and that they considered there were some extra special duties which these batteries performed, and that therefore they were entitled to be paid extra.

395. But does not it altogether destroy your contention that the contract allowances were given as compensation for certain work done, because here the work was not done, but still they receive the compensation?—If it was not given for the purpose of supplying the gear and keeping up the batteries, it must have been given as a special grant for some good reason.

396. Are you aware of the custom which existed in the Indian Artillery, I believe, before the amalgamation, that when an officer went on leave for a short period in India, he gave to his

Lord *George Hamilton*—continued.

locum tenens his compensation for the contract allowances, 250 rupees a month?—I never heard that.

397. Anyhow the Indian Government here estimate that a very considerable profit is made out of these contract allowances?—I think they express a doubt in one of these papers; say, that in some cases the officers may be out of pocket.

398. I allude to paragraph 5, page 26: "At times it is possible that officers cleared very little, but on the whole it is apparently pretty certain that officers of batteries of Field or Horse Artillery cleared from 150 rupees to 200 rupees per mensem, or perhaps more?—Might I refer you to the third paragraph of the Despatch of the 15th of May 1873, at page 10, which says, "It is true that in most cases the profit from this contract exceeds the difference of pay between that of a captain and a major, but any prolonged active service would greatly reduce this rate of profit, or perhaps cause it entirely to disappear."

399. What do you understand by "active service"?—Active service before the enemy, I suppose.

400. The contention there is that in case of active service that rate of profit would be greatly reduced; but there has been no active service since 1872?—No.

401. Therefore the paragraph to which you have alluded states that the profit from the contract would probably exceed the difference between the pay of a captain and that of a major; now this is the point I want to bring out; taking it fairly, as an official and a soldier, do you think this would be fair on the Indian Government; the pay of a lieutenant colonel of the Horse Artillery in India is 1,037 rupees a month; the pay of a major (and of a lieutenant colonel on major's pay) is 809 rupees a month; supposing in the case of any of these gentlemen to whom I have alluded, who have a compensation of 250 rupees a month, they got their major's pay too, they would be drawing 1,059 rupees a month, as against 1,037 rupees a month of a lieutenant colonel; now do you think that would be right?—I must divide the two things; one is pay and the other is allowance for doing a totally separate duty.

402. But supposing they had got no duty at all, but it was only given as compensation?—Then the fact is that the pay is not given as compensation.

403. I will take it in another way: supposing that the pay of a lieutenant colonel of the Artillery commanding a battery, other than that of Horse Artillery, is 1,002 rupees a month, and a major's pay is 759 rupees a month; an allowance of 250 rupees a month would, added to the 759 rupees, amount again to 1,009 rupees; but if the contention be that an increase of rank entitles a man to a higher pay, surely it would be most improper that a major in command of a battery should, directly or indirectly, get more than a lieutenant colonel of Artillery?—So it seems; but in many positions officers of junior rank receive higher pay than those of senior rank, from holding a certain position.

404. But you cannot in justice ask a subordinate officer should receive more than a superior officer?—That is the natural rule for the senior officer to receive higher pay than the junior, certainly.

405. Does

Lord *George Hamilton*—continued.

405. Does not that case which I have put to you somewhat modify your views, and do not you think that these contract allowances ought to be taken into consideration in determining what is paid?—Honestly, I do not think so.

406. Did you hear Lord Cardwell's evidence?—Yes.

407. He said that he wanted to abolish these contract allowances at once, because he understood the saving would be so great that it would compensate the Indian Government for the increased pay; your contention is the reverse, that whether the contract allowances are abolished or not, the officers ought to have their pay?—I think so.

408. That was not the intention of the Secretary of State for War at the time of the Royal Warrant?—I cannot answer for the intention of the Secretary of State. I was not in office, and, if I had been, I should not have been mixed up with it. I could not presume to state his intentions.

409. You handed in a memorandum; that memorandum you drew up some years ago?—In 1875.

410. At that time you had received no answer from the India Office; you were not aware of the reasons which have been stated in the letter from Lord Salisbury to Mr. Gathorne Hardy which induced the India Office to refuse this higher pay till they had abolished the contract allowances?—No.

411. Your statement was rather, if I may say so, an *ex parte* statement; a statement from the view of the officers of the Artillery, whose interests you felt bound to protect as Adjutant General of Artillery?—I thought it the right, and honest, and proper view to be taken of the case.

412. And it was not part of your business to go into any arrangement or any understanding that there might have been at the time of the issue of the Royal Warrant?—No; I was not at the Horse Guards at the time of the issue of the Royal Warrant.

413. You stated the other day that, so far as you are aware, no officer, when he has been promoted, has ever been refused the pay of his rank; is it not the case that when the Indian Artillery was amalgamated with the Royal Artillery, the rank of major in the Indian Artillery was abolished, and a very considerable number of majors were promoted to the rank of lieutenant colonels?—I cannot speak upon that subject; it was before the amalgamation of the Artillery.

414. Were not all officers of the Indian Artillery brought into the Royal Artillery?—They were amalgamated. The lists were kept separate.

415. You are not aware that there have been, until quite recently, a considerable number of lieutenant colonels of Artillery in India only drawing the pay of majors?—They receive the pay of majors. Following the rule of the Royal Artillery, the junior lieutenant colonels receive major's pay; but when the rank of major was given to the first captains in 1872, that warrant gave to those junior majors full lieutenant colonel's pay, and I believe that was followed in India in the same way by giving the junior majors on the Indian list lieutenant colonel's pay also.

416. But the fact remains, does it not, that there were lieutenant colonels of Artillery in India up to a very recent date, drawing major's pay?—Yes, and at home also.

417. Does not that rather destroy your contention that you are not aware of any case of an officer being promoted, and not receiving higher pay?—That was laid down as the pay for a certain number of junior lieutenant colonels; I never looked upon it in any other light.

418. Did not the general order which was issued in India lay down in the same year that the pay of the majors should be the same as what they had hitherto had as first captains?—Yes, the order in India did lay that down.

419. Then surely these lieutenant colonels had exactly the same grievance when they were promoted to their present rank, as the officers who have been recently promoted?—I can hardly say that it is exactly the same thing. I do not exactly know how it was arranged, but for some reason, years ago, a certain number were given major's pay only; a certain number of lieutenant colonelcies were given to make promotion; but the junior lieutenant colonels received major's pay.

420. The duties which these officers performed were exactly the same as they performed before?—Yes.

421. Can you give any instance where a whole grade has been promoted by a Royal Warrant to a higher rank, and yet performed exactly the same duties as before?—I cannot give any instance of that.

422. You gave the number of majors serving in India; did that include all officers not in command of batteries?—No, not in that return; it was only those in command of batteries in that return.

423. What would be the total number of men who could claim major's pay under the Royal Warrant in India; could you give the number in 1872 and now?—I could not give it you at this moment. I can give you the number of batteries; there were 86 in 1872, and there are 86 in 1877.

424. There are a considerable number of majors, are there not, in other employ?—Yes.

425. Are those officers affected by this claim for pay?—They would receive their major's pay in the majority of instances; some, however, draw consolidated pay.

426. And that would bring up the total to 120, would it?—I could not tell you the exact number; I have not got it before me.

Mr. *Courtney*.

427. With respect to this statement of yours that pay has nothing to do with the contract allowances, or rather that the contract allowances have nothing to do with pay, that the contract allowances were established for the convenience and economy of the Government of India, and not for the benefit of the officers, that is probably true as an historical statement; but is it not possible that from the change of circumstances, although originally established for the convenience and economy of the Government, they have resulted in a benefit to the officers?—Yes, I believe I have stated before that I think they have resulted so.

428. That almost universally, if not universally, they have benefited them?—Yes, I think so.

Colonel *Radcliffe*, R.A.

17 July 1877.

Mr. *Courtney*—continued.

429. And that they became a part of the emolument of their office?—I do not think it could be called an emolument.

430. It was an additional gain to their office?—I think, as a rule, it was an additional gain; it possibly might be a loss.

431. But having reference to the way in which it was established, you still think it had nothing to do with pay?—Nothing on earth to do with pay.

432. So that in 1872, supposing that the Secretary of State for India in Council had simply resolved to do away with contract allowances altogether, do you think the officers would have had no ground of complaint on being deprived of them?—No, I think none whatever. The Government could not take away the pay of an officer.

433. But you think they might have taken away the contract allowances without any compensation?—At any time they thought proper.

434. And if the officers had remonstrated, you think their remonstrances would have been groundless?—Entirely.

435. Do you think that they would have remonstrated if that had been done?—No, I think not as a general rule; I know that many of our officers, men who went out in 1857, objected to receiving the allowances, inasmuch as they thought the principle was bad.

436. That was in time of war; but supposing that in 1872, in a time of perfect peace, a captain of Artillery was receiving by way of gain on his contract allowances, from 100 to 200 rupees a month, and suddenly have that taken away from him, do you think he would not have complained?—I do not think he would have had the slightest ground of complaint, and as a proof of that I may state that many years ago the batteries at certain stations where there were arsenals did not receive the contract allowances whilst their brethren at other stations did receive them; for instance, at Dumdum, where there was an arsenal, the contract allowances were never given to an officer in command of a battery there; and no one liked going to that station for that reason; the officers had no right to the contract allowances in any way.

437. With respect to what Lord George Hamilton has said about the allowance of 250 rupees a month to officers who had no contract allowances, do not you think that may have been compensation for loss of emolument on contracts?—I do not think so, because officers in command of garrison batteries would not receive the contract allowances.

Lord *George Hamilton*.

438. They received the command allowance. The officers in receipt of contract allowances received no command allowance, did they, before 1872?—I think the officers in command of garrison batteries did; but they received only 30 rupees a month.

439. The officers who had contracts received no command allowance, did they?—They received 30 rupees too.

Mr. *Courtney*.

440. Is this opinion of yours that contract allowances have nothing on earth to do with pay, one in which the Commander in Chief has expressed his concurrence with you?—Yes.

Mr. *Courtney*—continued.

Mr. *Fawcett*.

441. I heard you say this morning that several papers which you have read, and which you have referred to, you have seen to-day for the first time, or that you have seen them since the last examination?—I saw two papers that I read today since the last examination.

442. What were those papers?—Those two that I read were copies of Despatches from the Governor General in India to the Secretary of State for India.

443. They were two of the papers which were put in which were read at length?—They were two papers from which I read the Despatches.

444. They were virtually Despatches containing the arguments of the Government of India?—Yes, certainly.

445. Then you expressed this confident opinion in your last examintion about the justice of these claims without having concerned yourself to read what the Government of India had to urge against them?—Yes, without reference to those Despatches.

446. You may say that you formed the opinion which you expressed so confidently on the justice of those claims upon what may be, according to your own description, characterised as an *ex parte* statement; you had seen the whole of the statements in favour of the officers' claims, but you had not concerned yourself to read at the time you expressed that opinion what the Indian Government had to allege against these claims?—I expressed my opinion from what I was generally impressed with, not from anything I had seen or read, but merely from my own feelings, and the feelings of the officers with whom I had consulted.

447. But then from your own feelings and the feelings of the officers you have consulted, are we to arrive at this conclusion, that what you said in favour of the justice of these claims was not a judgment, but simply personal bias, arrived at from communication with certain officers; because to judge of a complicated question like this you ought to read certain documents, ought you not?—Those documents were not within my power to read; these are Parliamentary Papers that I had never seen or had an opportunity of looking at.

448. But they were Parliamentary Papers which could be perfectly well obtained at your office; and you giving your evidence as an official and not as a private individual, there would have been no difficulty in the office obtaining all these papers; and no difficulty whatever in your reading them; or you might have said, might you not, that you forbore to express an opinion till you had read those papers?—I do not know that I should have formed my opinion from reading the papers.

449. I am not contending that your opinion would have been in the slightest degree altered by reading these papers, or by reading any papers; that may be or may not be the case; but as a matter of fact you, as an official, would not have had the slightest difficulty, before expressing the opinion which you did on Friday last, in obtaining the papers and carefully considering them, which

Mr. *Fawcett*—continued.

which you read this morning, and which you had not seen on Friday last?—I suppose I could have got them if I had known they were in existence; I did not even know that they were in existence.

450. But if you had communicated with the proper persons, if you had applied, for instance, to the Chairman, who summoned you and asked him to lay all the papers before you, so that you might have the means of forming a judgment, you have no reason to suppose that the smallest obstacle would have been placed in your way in obtaining these papers?—Not the slightest.

451. Then you expressed this opinion without a careful examination of the papers, and rather upon a general impression?—Yes, I did.

452. Do you consider, as an important element in support of your opinion, that these claims of the officers are just, the words of Lord Cardwell in the House of Commons, to which reference has been so frequently made?—In which he said that he wished to raise the rank and pay of these officers, do you mean?

453. Yes?—I think that is very important.

454. You heard Lord Cardwell's own declaration, that by saying that he did not intend, in the least degree, to do that which he had no right to do, namely, to control the Indian Government as to the pay that they should give to these captains who were promoted?—I heard him say that.

455. You come here, representing the Horse Guards officially; but the Horse Guards and the War Office are now so intimately connected, that you cannot very well represent the one without representing the other, can you; there is no accurate line of demarcation between the Horse Guards and the War Office, is there?—I hardly know how to answer that question.

456. You are an official serving under the Secretary of State for War as well as under the Commander in Chief, are you not?—I am specially under the Commander in Chief.

457. But you are an official under the Secretary of State for War?—Just as every officer is.

458. I mean not as an officer, but from the position you hold at the Horse Guards and the War Office. I want to know your exact relations to the Secretary of State for War. (My contention is this: that it is impossible to separate in this way the Commander in Chief and the Secretary of State for War.) Has the Secretary of State for War any authority over the office which you hold, that of Adjutant General?—He certainly has; he has authority over the whole of the Horse Guards.

459. Then you hold office not only under the Commander in Chief, but under the Secretary of State for War, do you not?—I suppose I must say, yes, certainly.

460. You have seen the Commander in Chief since you were first summoned to give evidence, although you admit that you hold office under the Secretary of State for War, you did not communicate with the Secretary of State for War?—I saw the Secretary of State for War also.

461. Did you tell him the evidence you were going to give?—Not before I came; yesterday I saw him.

462. And you are aware that the evidence you have given is in direct contradiction to the opinion expressed in the House of Commons by the Secretary of State for War?—That I cannot say.

Mr. *Fawcett*—continued.

463. You are aware, I suppose, taking a great interest in this subject, of the opinions that were expressed recently in the House of Commons by the Secretary of State for War?—Yes.

464. Being aware of those opinions, you are aware that the Secretary of State for War expressed opinions opposed to yours; that is to say, not admitting the justice of the claims?—Yes; but I presume I come here to give my own opinions, and not the opinions of anybody else.

465. You have given authority for your opinions by saying that they represent the opinions of the Commander in Chief?—Yes, I still maintain that, because I have communicated with him.

466. You believe that the opinions you express are not the opinions of the Secretary of State for War?—I do not know the opinions of the Secretary of State for War, further than what I have seen in the public prints, and I am not authorised in any way to speak on his behalf.

467. Now, with regard to the justice of these claims, there is this way in which the Indian Government may have acted unjustly to these officers; it may not have carried out what it said it would carry out, or, in other words, it may not have fulfilled the conditions which it promised to fulfil to these officers; there is no evidence that that has been done in the case of the Indian Government, is there?—No; they stated from the first that they would not give the majors their pay.

468. Therefore there is no doubt at all upon that point, that everything the Indian Government said they would do, they have faithfully done; is not that so?—They said they would not give the majors' pay, and they have not given it; not for the time which we are speaking about, that is to say.

469. The point I want to bring out is this: there is nothing, so far as the action of the Indian Government is concerned, to show that anyone who is responsible, or who is acting for the Government of India, ever said that the pay would necessarily be increased?—No; I think it has never said so.

470. Therefore you cannot point to anything upon which you can say that the officers have been unjustly treated because of any breach of an agreement?—You can hardly call it an agreement, a General Order issued promulgating the Warrant that was issued in England. In that General Order it is stated that the majors would receive exactly the same pay as they had before received as first captains.

471. That Warrant was issued in England, but not by the Indian Government; but what the officers serving in India have to look to is to the General Order issued by the Indian Government?—I suppose they do look to that.

472. That is a matter of fact, is it not?—That comes again into the question of the financial arrangements between the two.

473. No; that is a matter of discipline; if any officer came to you and said, "What will my position be in India with regard to pay?" you would refer him to the orders issued by the Indian Government, would you not?—Yes, certainly.

474. And therefore he had to look to these

Mr. *Fawcett*—continued.

orders to ascertain what his position would be?—Yes.

475. And there is no pretence whatever that what was stated in this General Order issued by the Indian Government has not been faithfully carried out?—I do not think there is, because they promised nothing.

476. Whatever may be the case as to that, there is no reason to suppose that anything that the Indian Government did can be pointed to as showing that the expectations of those officers were raised, and then falsified?—No; nothing that the Indian Government did.

Lord *Eslington*.

477. With regard to the first captains of Artillery and Engineers who were serving at home, or in places other than in India, did they, when they received the rank of field officers, receive pay proportionate to their rank immediately upon the issue of the Royal Warrant of 1872; did those men at the time that they received that promotion, at once receive the pay of that rank?—Yes, they received the pay of the rank, but it was not given in the same way as it was given to the officers of the rest of the Army; that is to say, the Horse Artillery received their 19 *s.* 6 *d.*, the same as the cavalry pay, and the other officers received their 16 *s.*, but it was given to them as 14 *s.* 6 *d.* pay, and 1 *s.* 6 *d.* command pay; so that a major, if he was not actually in command of his battery, received only 14 *s.* 6 *d.*; and in that way it was not exactly the same pay as majors in other branches of the Service received.

478. But if he was in command of a battery he received 1 *s.* 6 *d.* extra, which brought it up to the 16 *s.*?—Yes.

479. Then practically, they did receive that?—Practically, they did receive that, when they were in command of a battery.

480. Then was it at all unnatural that officers commanding batteries in India, knowing that that was the fact, should expect to receive the Indian pay and allowances proportionate to their rank?—I think they all expected it, and were very much astonished when the order came out saying that they were not to receive any increase of pay.

481. You have come here, do I understand, to tell us in the most explicit and unreserved manner what the general impression created upon the minds of the officers of that branch of the Service to which you belong was, when they received that promotion?—Certainly.

482. And you have found that impression without any reference to papers whatever; you had no necessity to apply to papers; you thought that the rank carried with it the pay?—Yes, naturally.

483. And that was the general feeling of all the officers of that branch of the service which you represent?—Yes, certainly.

484. And may I go further and say that that was the impression left upon the mind of the Commander in Chief, whose views you also represent?—I think so, certainly.

485. Lord Cardwell in his evidence the other day, in answer to Question 60, used this expression: "The promotion itself was a very great advantage to them;" that is to say, to the first captains. Now am I to gather from that that it

Lord *Eslington*—continued.

was an advantage to them in the way of their improved position in the Army?—I should think he must have meant that.

486. If brevet rank had been conferred on those officers in lieu of substantive rank, would not that have improved their position in the Army alike?—Yes.

487. But the War Office thought proper not to confer brevet rank, but substantive rank?—Yes.

488. And would not that in itself only tend to confirm the impression upon the minds of those officers to whom you have alluded?—I think certainly it would do so.

489. And do you think that the mere promotion would have been regarded by those officers as such a great advantage, as Lord Cardwell seems to think, if it had not been accompanied by increased pay?—I do not think it would. I fancy it was once suggested, and it was refused.

490. I do not want to go at length into the vexed question of the contract allowances, but is this correct, that you refused ever to regard the contract allowances as part of the pay; and am I right in supposing that your reason for making that statement is that under the system of contract allowances officers in command of batteries undertook, contracted, with the Government to keep their batteries in perfect order and efficiency for the payment of a certain sum of money?—Yes; they undertook to do the work of the Government arsenals.

491. And if they had not done that they would have had to draw stores in order to keep their batteries up to that state of efficiency?—Yes.

492. Now, from your experience as an officer of Artillery, do you think, not to go into individual instances, but striking an average over the whole of India and all the commands, that those contract allowances did fairly represent, in the long run, the expenses necessarily incurred by an officer in keeping his battery in a state of efficiency?—I do not think it cost him as much as he received usually.

493. Then you think in the long run, and on the average, that he decidedly was a gainer by it?—Yes; at the same time I believe that the Government was also a gainer.

494. Then, perhaps you rather regarded the contract in the light of a mutual convenience to both?—Yes, I think you may say so, certainly.

495. And the officer was allowed to make his profit in some cases as a *quid pro quo* for the care which he applied, and the saving of trouble to the Government, which the system involved?—Yes.

Sir *Walter Barttelot*.

496. I gather from your answers to all the questions that have been asked you, that you would look upon the contract allowance as a contract made between two parties to perform certain work?—Yes.

497. And you, as a soldier, naturally would say, "If I contract to do certain work, that is no part of my pay"?—Yes.

498. "My pay is the pay of my rank, and if I am a major in the Army, I am entitled to the pay of a major"?—Certainly.

499. I may contract, so far as my battery is concerned, to keep that battery in absolute repair, and if I make anything out of that contract, that

Sir *Walter Barttelot*—continued.

is nothing to anybody, so long as my battery is in good repair, and no one has a right to say that that ought to be taken into account in any pay of the rank which I obtain?—You express quite my views.

500. Now let me go one step further; supposing a major in command of a battery goes away, and a second captain takes the command, he receives that contract allowance, and has to do the work the same as the major would if he were present?—Yes.

501. And if a subaltern has it, he receives the allowance?—The same rule follows.

502. Clearly showing that it is not pay, but it is an allowance which is made to meet that which the man, whoever he may be in command, has to perform?—Exactly.

503. A great deal has been said about making money; nobody denies, I think, that money can be made out of those contract allowances, provided nothing extraordinary is going on?—Yes,

504. But supposing you had to make a march of 700 miles in India, would not that very much tear about the contract allowance?—Very much indeed.

505. Would not the leather and the iron, and other things, suffer very much indeed?—Very much indeed; camps of exercise also are very destructive.

506. Therefore, on the whole, looking at it as a matter of contract, and as nothing else, there was an advantage to the Government of India, who knew exactly what they would have to pay, and had not got to lay in large stores in different places?—That was the intention of the contract system.

507. Therefore it is absurd to argue upon the point of the contract in this case as against the pay which the officers only had a right to have?—I think so.

508. Lord George Hamilton asked you whether you knew of any instances in which the pay of the rank had not been given, and he put a question to you with regard to the colonels who were promoted from majors when the rank of major was abolished, and that the 17 junior colonels only got the pay of their rank of major, and did not receive the pay of colonels?—They received pay as lieutenant colonels from 1872.

509. But previous to that?—Previous to that it was so.

510. Is not that a totally different case from this, because did not the Royal Warrant absolutely express that with regard to England as well as to India they only received that pay, whether they were serving in India or in England?—Yes.

511. I will put it to you in this way: of those 17 juniors, if there were eight serving in India, and the rest were serving in England, those in England and those in India were both receiving the pay of a major, and not the pay of a colonel by the Royal Warrant?—Yes.

512. Therefore that is a totally different case from this, because in this case in England they received the pay the moment the Royal Warrant was promulgated, and the Government of India withheld the pay in India?—That is so with regard to the majors.

513. And that, of course, is not on all fours with the other case which I put to you before?—No.

514. You were asked whether you knew any-

Sir *Walter Barttelot*—continued.

thing with reference to these contract allowances in India yourself, and your answer was the very natural one, that you had only been in India one year, and therefore you had not much experience there; you went out with a battery, as I understood you to say, that was perfectly fitted out?—Yes.

515. And therefore being only out there one year, you would have very little call upon your contract allowances; but you would like to have someone else called who will speak more particularly, who has seen a great deal of service in India, and considered the contract allowances in all particulars?—Yes.

516. Do you agree with this paragraph at page 33 of the Parliamentary Paper: "His Excellency has represented that commanders of batteries are, as a body, opposed to the continuance of the contract, even at an increased rate, that it imposes on them a thankless task, subjecting them frequently to undue suspicion, and placing them in a false position with their subordinates as well as their superiors, and that, in view of this opposition, it is scarcely expedient that the contract should be continued, especially as it is doubtful whether officers could legally be compelled to carry it on if they objected to do so"?—I never heard those views expressed before.

517. Is it not the fact that the Government of India, for their own convenience, did not alter the arrangements of pay till 1875, so that they might be in a position to take up the contracts then themselves, which would have been most inconvenient to have taken up if they had taken them up in 1872?—So it appears from that Despatch.

518. Then looking to the fact of their putting off making those arrangements with reference to the contract allowances, from 1872 to 1875, for their own convenience, do you think, as an officer of Artillery (not as Adjutant General) it was fair that those officers' pay and allowances should not have been considered by them in a liberal spirit?—I do not think it was.

Lord *George Hamilton.*

519. Have you any notion of what the difficulties of the Indian Government might have been in taking over the contracts; the difficulties I mean that stood in the way of the Indian Government at once taking over the contracts?—No, I have not.

Sir *Henry Wolff.*

520. Mr. Fawcett just now put it to you whether officers serving in India had only to look to the Government of India for anything affecting their day or allowances. Now I wish to call your attention to a paragraph in a Despatch from Lord Salisbury to the Governor General of India in Council, dated 9th July 1874. He says, "Upon this I have only to observe that it may be quite proper that questions affecting British officers, as holding appointments conferred upon them at the pleasure of the local Government, should be addressed through the Commander in Chief to that government, but it would be obviously extremely inconvenient to sanction the introduction of so novel a proceeding as that of officers of British regiments temporarily employed in India appealing to the Government of that country, and through them to the Secretary of State for India, upon subjects relating to pay or other privileges due to their regimental position." Therefore, is it, or is it not, your opinion, based

Colonel *Radcliffe*, R.A.

17 July 1877.

Sir *Henry Wolff*—continued.

upon that paragraph, that officers of the English Army serving in India, in case they consider their pay or privileges infringed, should have a right of appeal to the Secretary of State for War to defend them in those privileges?—I think that they have a right.

Sir *George Balfour.*

521. You have expressed opinions with reference to contracts on several occasions; do you remember that Committee over which Sir George Barker presided in the year 1860?—No.

522. You have heard of the existence of such a Committee, perhaps?—I know nothing about it.

523. You have also been questioned with reference to field batteries; do you remember Lord Clyde forming those batteries during the time of the operations?—No.

524. You would not be surprised, perhaps, to learn that these batteries consisted of six heavy pieces, and required a number of elephants and a large number of cattle in order to move them?—No.

Sir *George Balfour*—continued.

525. You would not think that 250 rupees a month for such extra duty would be too much?—No.

526. You would not be surprised to hear that I strongly recommended Lord Canning to give the extra 250 rupees?—If you recommended it I am sure they deserved it.

Mr. *Muntz.*

527. Are you aware of a single instance since the Queen's Government took over the Government of India of an officer's rank not carrying with it the Indian allowances?—No, I am not.

528. Then, if Lord Cardwell stated that the rank of major in the Artillery and Engineers would carry with it the pay of majors of the Line, it was a natural inference that the newly appointed majors in the Artillery and the Engineers would expect the full Indian allowance?—Certainly.

Lieutenant General Sir JAMES FITZMAYER, R.A., K.C.B., called in; and Examined.

Lieutenant General Sir *James Fitzmayer*, R.A., K.C.B.

Chairman.

529. I BELIEVE you are a Lieutenant General in the Royal Artillery and a Knight Commander of the Bath?—Yes.

530. You were in active service in the Crimea, where you greatly distinguished yourself, more especially at the Alma and Inkerman; you commanded the A Brigade of the Royal Horse Artillery in Bengal; you have filled the office of Inspector General of Royal Artillery in Bengal, and have commanded a division of the Army there; and until quite recently you were Inspector General of Artillery in Great Britain; in all these positions you must have had the most varied experiences of the requirements and efficiency of numerous batteries of Artillery?—Yes.

531. In your official capacity in the many positions you held in India and elsewhere, do you think that, in so far as the contract system existed, the contracts were at all times fulfilled by the

Chairman—continued.

officers towards Government in full integrity?—Most certainly.

532. So far as you have heard the merits of this case, do you consider that the officers have represented their case in a subordinate and respectful manner, and in such a way that they should have looked to receiving some reply?—Yes; I have every reason to think so.

533. Do you consider that these officers should have received the pay at the same time that they received their rank?—Most decidedly; I cannot conceive any reason otherwise.

534. These representations have now been going on for five years without any reply, except that their case would be submitted to Parliament, which has not been carried out; what, in your opinion, would have been the result if such a course had been followed towards non-commissioned officers and men in the service?—There would have been a great deal of discontent, if not worse.

Major General J. H. SMYTH, C.B., called in; and Examined.

Major General *Smyth*, C.B.

Chairman.

535. YOU have seen much active service in India of varied kinds, and were specially brought to the notice of the Government for services in the attack and capture of the fort of Chergong; you served in the Gwalior Campaign, in the Indian Mutiny, at the defence of Cawnpore; you then commanded a column in the Roorkee and Bignour districts, and subsequently, when in command of the Philipeet frontier, you defeated a column of mutineers; you were for some time employed on the staff of his Excellency the Governor General of India, and had opportunities at the time of knowing why the contract system in force in India was continued with batteries of Artillery in India, and, if so, whether the contracts were ever looked upon as income in India, and whether they were looked on as

Chairman—continued.

economical or not for Government?—Yes; when I entered the service I joined the staff of the late Lord Metcalf, and at that time Lord William Bentinck was the Governor General; Sir Charles Metcalf, as he then was, was only the Vice President in Council. Lord William Bentinck was endeavouring to reduce the military expenses of India as much as possible, and this system of contracts with the Artillery was brought under the consideration of an Artillery Committee, on which there was also the Commissary General of the Army and the members of the Military Board, and their decision was that for the Government it was much more economical that this system should be continued, and that it was also much better for the officers that they should have as much responsibility thrown upon them as

Chairman—continued.

as possible. The contract system had been going on not only in the Artillery but in the Cavalry and Infantry ever since Lord Lake's time.

536. The contract system was not optional on the part of the officer, was it?—No.

537. He was obliged to undertake it as a duty?—He was obliged to undertake it as a duty.

538. And those duties were put upon him by, I think, the Governor General's Orders, and the general officers had to see that they were duly and properly performed?—Yes. This is an extract from the Governor General's Orders, dated 1817: "It will be the duty of all officers in command of divisions and stations, or of corps of artillery, cavalry, and infantry, under the regulations now published, to ascertain by frequent and minute inspections, that the saddlery, harness, equipments, and accoutrements of their respective corps are maintained in a perfectly efficient and serviceable state by the officers drawing the allowances for that purpose, and his Excellency the Right Honourable the Governor General in Council accordingly enjoins on the part of all commanding officers a particular attention to this most important duty." And again, there was an Order issued in 1842 by the Governor General: "It is further intimated that as regards saddles and harness, the set, as issued from the Government stores, are to be maintained complete in all respects from the contract allowance, and that renewals on account of condemnations or loss of component parts of such sets are not admissible." It was the same with the gun carriages; if you broke a wheel the officer commanding the battery had to have it repaired; and one of the great advantages of the contract system about the gun-carriages and other things was, that on the line of march he had not to go to the commissariat to get any fuel to set up his wheels; everything was in the battery to do it, and he did it when he halted.

539. The system enabled the Government of India to save very largely, did it not, by not having to establish magazines and to protect those magazines in a country like India, where they had to be such long distances from one another?—That was one reason why the Government pursued this course; the batteries were very often several hundred miles from a magazine, and such materials as they required were only given out from the magazine perhaps once a year, never more than once a year.

540. The condition of batteries had to be satisfactory, not only to their own commanding officers, but to the generals commanding districts, and to the inspecting generals as well?—Yes; it was one of the most important duties of the inspecting officer to see that they were efficient. I was commanding officer of a battery for many years, and by working on the old adage of "a stitch in time," I always made money out of it. I think there was only one year, when I was on the frontier in very bad weather indeed, and when I had to renew my blankets, I think, three times, that I ever had a loss.

541. Have you ever heard, during the time you were in India, that the profits arising from these contracts were ever considered part of an officer's income?—Never part of an officer's income; nor could an officer possibly have conceived that he would get any compensation if he was deprived of the command of his battery; for in former years there were batteries at Dumdum,

Chairman—continued.

where there was an expense magazine; and no contracts were allowed, and yet no officer ever thought that he was more hardly dealt with than another. But there was also command allowance; we all received command allowance besides.

Mr. *Fawcett*.

542. Just the same, whether there was a contract allowance or not?—Yes.

Chairman.

543. Then, wherever there was an arsenal (which was also the case at Cawnpore and Agra) where the Government could do their own repairs they did them?—I believe, years ago, long before I entered the service, at Cawnpore and Agra the officers commanding batteries received no contract allowance, but it was not found to answer, and therefore contracts were given; but I think at Dumdum, the expense magazine being quite on a different footing, they did all the repairs in that magazine.

544. Are you aware of a Committee which Sir George Balfour has referred to which sat in the year 1859?—I never saw the proceedings of those Committees, but I know very well that Sir George Barker was very much opposed to the contract system, and to the best of my belief he got Lord Canning to appoint a Committee, and the Committee, or Lord Canning at any rate, was of opinion that the contract system had better be continued.

545. Sir George Barker wrote a very strong minute on the subject in opposition to the contract system?—Yes; I have only a faint recollection of that minute.

546. But the Government of India retained the system, because they thought it was the most politic system which they could have in that country?—Yes; and the most economical.

547. Have you ever heard during the course of your service, which has been very extensive, of any officer receiving substantive promotion, and not receiving the pay and allowance of his rank?—Never. When a number of lieutenants were made second captains in the year 1858, there was a report that they were to receive the pay of captains, and only the allowance of subalterns; but I recollect sending in my pay abstract the next month, and it was all passed the very next time, the second captains' full pay and allowances.

548. Have you ever heard of there having been any difference between the Queen's troops in India and the Company's troops; or have the different ranks of the officers been put on an exactly equivalent footing?—I am not so well acquainted with the pay of Her Majesty's troops; I am an old East Indian Company's man, but I have been given to understand that the Indian Government always considered that they had a right to deal with the allowances, though not with the pay, of Her Majesty's forces, and if they thought that an officer in Her Majesty's Service had any advantages over one of their own service, I do not know exactly how it was done, but they equalised them through their allowances.

549. Did you ever hear of one being put to a disadvantage?—No, never.

550. You say you are an old East India Company's man; the East India Company's artillery

Major General *Smyth*, C.B.

17 July 1877.

Chairman—continued.

were amalgamated completely with the Royal Artillery in 1861, were they not?—Yes.

551. Since then you have commanded, I think, at Woolwich and at Aldershot?—Yes.

552. And have had every opportunity of knowing what the feelings are of the officers in this country?—Yes. I think I might mention to the Committee here that in 1872 I was appointed member of a board at the War Office, with the view rather to endeavour to persuade the officers of cavalry and batteries of artillery to accept a contract from the Control Department for a supply of stable necessaries; and the officers of cavalry would not have anything to do with it.

553. You mean that the English Government was so delighted with the idea of what was going on in India, that at the very time they were trying to prove to India that they should put an end to the contract system, they were endeavouring to persuade officers to accept it here?—Yes; I was a member of a board at the War Office trying to induce officers to accept a contract.

Mr. *Muntz.*

554. You mean for stable contracts?—Yes, what I call stable equipments; sponges, and soft soap, and oils, &c. &c.

Chairman.

555. Can you fancy anything more painful to an officer's feelings than to find that whilst he has got promotion in the army, he is put in an inferior position to brother officers of the same rank by receiving the pay of an inferior rank?—I think it is very annoying indeed.

556. Speaking of your opinion, do you consider that these officers were entitled to their pay from the day of their promotion?—Certainly.

557. And their allowances?—Certainly. I heard a remark made here that it was very hard for an officer to be promoted from one grade to another and find himself receiving inferior pay; but I have been a long time in the Service, and that very often happens.

558. Coming off the staff, for instance?—Yes, coming off the staff and ceasing to have command of a field battery, or going from cavalry pay to infantry pay.

Mr. *Arthur Mills.*

559. I understood you to say, that so far as your experience in India went, it was a time when wars and campaigns were going on, and long marches were inevitable, and then this contract system was an advantageous thing pecuniarily to the Government?—It was pecuniarily an advantage to the Government, because they had not to keep up any establishments to supply the artillery all over the country with what was required, and it was a great relief to the Commissariat Department.

560. They carried with them what they wanted?—Yes.

561. Then, in regard to ordinary times of peace, do I rightly infer from your evidence that then you think it was a very good bargain, generally speaking, for the officers?—It was a very good bargain for the officers; but if an officer was not very attentive to his duties, or if he was careless in his accounts, he would find himself certainly not in a very pleasant position; it made

Mr. *Arthur Mills*—continued.

every one of us a good man of business in general, I think.

562. Supposing him to be a good man of business, he made a very good thing of it?—Yes.

563. You said it would be a very vexatious and annoying thing to an officer who received promotion not to receive the pay which was considered the equivalent of that promotion?—Yes.

564. And you do not think it would be any compensation to an officer to know that he received as much pay in the form of allowances or in any other shape?—But until the Indian mutiny came we never heard of such a thing as contracts being considered pay.

565. I was not saying that I should consider them so; but they represented in certain instances, I think I understood you to say, a certain amount of pecuniary advantage?—It was remuneration for extra work done by the captain.

566. But am I to infer from your evidence that it was remuneration which you think an officer would rather have had than not to have had?—Certainly if he had any pride or pleasure in his profession.

567. But it also brought with it a certain amount of emolument?—Yes.

568. I think I understood you to say that this system began a good many years ago?—I have a memorandum here showing it existed in 1809, one of the first orders that I have here; but every infantry colonel contracted for his tents and other things.

569. You referred, I think, to some departmental committee of the War Department which there had been some years ago?—Yes, I think between five and six years ago.

570. And I think you mentioned to the Chairman that there had been some recommendation which had emanated from that committee in reference to some practice which might advantageously be adopted here, did you not?—Yes; I think it was Mr. Gordon who was at the head of the arsenal at Woolwich, who said that it would relieve him of a great deal of trouble and responsibility, and also the Control Department, if officers commanding regiments and batteries could be persuaded to receive a certain sum of money monthly for their stable gear, or whatever was required for the stable equipments in the shape of soft soap, sponges, and things of that kind.

571. It was intended to be a regimental arrangement?—A regimental arrangement.

Sir *Henry Wolff.*

572. You said that on one occasion, when you were on the frontier, you lost by your contract?—I was many years without ever having had stables, and, of course, there is much more wear and tear then; but one winter, when at Rawul Pindee, we had most fierce gales, and I had to get blankets two or three times over.

573. It was an accident, therefore?—Yes; but I think if some of the old officers who went into Afghanistan, and who were in the Sutlej campaigns, came, they would say that during that time they never cleared a shilling.

574. Therefore, during a campaign, the officers probably would gain nothing?—No; but six months' rest gave it back to you again; we took the roughs and the smooths.

575. You said that to make money by these contracts a man ought to be a good man of business?—Yes.

576. But

Sir *Henry Wolff*—continued.

576. But a man might be a good officer, and yet not a man of business?—Then he would be out of pocket.

577. May I ask you if you recollect the case of some majors promoted in 1858 to lieutenant colonels, but who kept their pay as majors?—It was this: the majors were promoted to lieutenant colonels, and in the Order promoting the majors to lieutenant colonels, it was distinctly said (if I am right about the number), that two-thirds would receive lieutenant colonels' pay, and the junior one-third only majors' pay.

578. But those were officers in the old Indian army?—They were majors, and the rank of major was abolished; and those majors were all promoted to be lieutenant colonels, but the one-third of the juniors were on major's pay.

579. Those officers were all officers of the old Company's service, were they not?—Yes.

580. And, therefore, they were officers of the old Company's service who were given rank in every part of the British Empire which they had not enjoyed before; they were merely a local corps before?—Yes.

581. And they received a great boon by being promoted to be lieutenant colonels; but they were made lieutenant colonels to assimilate them to the position of English lieutenant colonels of Artillery?—Yes, of the old Royal regiments.

582. Therefore the case is not analogous to officers of the whole army who are now promoted to be majors in every part of the British Empire?—It is quite different.

583. At the present moment the first captains who are captains of a large Imperial army are promoted to be majors?—Yes.

584. And majors in an Imperial army?—Yes.

585. The other case was the case of officers of a local corps who were promoted to Imperial rank, if I may so call it?—They were only promoted to Imperial rank when the old East India Company's Artillery were amalgamated with the Royal Artillery.

586. That was the fact that they were drafted from the local corps into the Imperial corps?—Yes.

587. In the Royal Warrant there occurs the following paragraph: "When officers now holding the rank of captain in our Royal Artillery are promoted to the regimental rank of major, they may, if in receipt of a higher rate of pay than that laid down for majors in Article 5, continue to draw such higher pay (including distinguished service pay) in lieu of the pay laid down in this Warrant." Now, may I ask you with reference to a question that was put by the Under Secretary of State whether it is not possible at the present moment for a major having distinguished service pay to have higher pay than a lieutenant colonel?—I recollect some years ago the officer who is at present commanding the artillery at Aldershot, Colonel Henry, saying to me, "I am going to be promoted to a lieutenant colonel next week, and I shall lose 5*s.* or 6*s.* a day."

588. Then that circumstance may occur sometimes?—It was occurring then at any rate; he was receiving extra pay for brevet rank and cavalry pay.

589. So that you do not think that an accidental circumstance of that kind should operate against the majors receiving additional pay at the time they got their promotion?—No, certainly not; but I do not allow, you know, that contract is pay.

590. Do you know Major Roberts in the Royal Artillery, now Acting Quartermaster General?—Yes.

591. When he goes back to the artillery what will he receive?—When he goes back to the artillery he will receive major's pay; and now he is Acting Quartermaster General, and I suppose he is getting 4,000 *l.* a year.

Mr. *Denzil Onslow.*

592. I presume you approve of the old Indian contract system?—I did approve of it then; but I doubt very much whether I should approve of it now; on the old system all our establishments, our artificers, were Natives; and now the saddlers and farriers come out from England, they are English soldiers; and it puts the captain of a battery in a very different position from that which he was in when he had a certain number of Natives under his thumb; now a saddler or a collar maker may go and complain; he says, perhaps, "Our captain is a stingy fellow, and will not give me this or that, but he puts so much money in his pocket."

593. But during the whole time of your service in India under the old *régime*, before India was taken over by the Crown, you thought that on the whole the contract system was the best?—I think it was decidedly the best; and, as I said before, that was the best for the Government.

594. You talked of a Committee that sat in Lord Bentinck's time?—Yes.

595. Have you got the recommendations of that Committee?—No, it is only from recollection that I spoke; but it must be on record at the India Office.

596. At all events they approved of the contract system?—Yes.

597. And you also mentioned that a Committee sat in Lord Canning's time?—Yes.

598. And Lord Canning approved of the contract system?—Yes.

599. May I ask you if from your experience, considering all things, you agree or disagree with what the Government of India has recently done in taking away the contract allowances from officers in command of batteries?—I do not think it will be for the efficiency of the batteries, and I do not think it will be an economical arrangement for the Government. I do not think it will be a good thing for the Artillery service, because the captains will not have that same personal interest in the batteries that they had before; they were wrapt up in it; all day in it you may say. An honourable Member asked how many hours a captain was employed. I can tell you that there were very few hours he had to spare when he was doing his duty.

600. Have you read the Military Despatch, No. 18, of 1875, dated the 29th of January 1875?—I heard Colonel Radcliffe reading it.

601. Will you kindly look over the third paragraph?—I think that rather supports my views about the contract system.

602. Having read that third paragraph you think that the Government of India on the whole have done quite right in the recommendations which they have submitted to the approval of the Secretary of State for India?—Yes; I think they could not help it.

603. Now you say that if an officer was very careful,

Major General *Smyth*, C.B.

17 July 1877.

Mr. *Denzil Onslow*—continued.

careful, and looked after his battery properly, it was almost impossible for him to lose money out of his allowances; now you have been on many campaigns, I think?—Not many; I have roughed it.

604. You say that only in one year did you lose, and that was not on account of any campaign, but on account of bad weather?—Yes.

605. Therefore, even on a campaign, I presume that you have never been a loser?—No, I have never been a loser.

606. And what you did, you think that with proper economy any other officer would have done?—I had very good staff people with me; my establishments were very good, and I satisfied them, and they worked well for me, and that is the reason I did not lose.

607. Do you think that 25 per cent. is a fair per-centage to take as the annual profits arising from the contract allowances?—I think an officer who was a good manager, and who was not exposed to very bad weather, would make 25 per cent., and perhaps 30.

608. Without much difficulty?—Yes.

609. And it might be more?—Yes.

610. But you would take 25 per cent. as a fair average?—Yes, as a very fair average.

611. I want to ask you also one question about the wear and tear; is it the fact that the wear and tear is greater on a march than it would be if a battery were stationed at a particular station, and doing its ordinary morning exercise?—The wear and tear on a march is very great. I think I was four hot seasons in Bundelcund going up passes where we had to get the guns up by hand, and we often had spokes torn out by the rocks, and then when we halted, I had to repair the wheels.

612. Was that in an ordinary march?—It was an ordinary march; but we were subduing people who were in insurrection. On a march in the hot weather when the roads are bad, the wheels will have to be set up again and again.

613. On the whole, you think that the wear and tear during a march in India is greater than the ordinary morning and evening drill?—Much more; it is very great.

Sir *George Balfour*.

614. You have spoken very strongly with regard to Lord William Bentinck's system of economy?—Yes.

615. No one has more information with reference to the acts of that eminent Governor General than you from your position on Lord Metcalfe's staff?—I think you have more.

616. I was only a subaltern in those days; you were on the staff; but you think that no Governor General has enforced economy more strictly than Lord William Bentinck has done?—Certainly not.

617. He brought down the expenditure of India lower than it ever has been during the whole of this century?—I was brought up as a young man with the idea that it was the duty of all of us to save as much as we could for the Government.

618. That was the idea enforced by the East India Company?—Yes.

619. And a great number of officers in India were inspired with that feeling?—Certainly, all who took any pride in the country.

620. And I think the old military Board of Bengal were as much actuated by that feeling as anyone?—Yes.

Sir *George Balfour*—continued.

621. Do you think that if Lord William Bentinck could have seen his way for the Government to make money by cutting away the contracts, he would have done so?—Most certainly.

622. Do you not think that the Ordnance establishments of Bengal were kept far apart by reason of the economy which they were enabled to practice by having battery commanders able to supply their own batteries with all the required materials?—Yes.

623. That nothing could be more economical for the Government than that, by keeping down Ordnance establishments?—I quite agree with you.

624. And that the stores that a commanding officer was obliged to keep up and lay in, enabled the Government to diminish that ruinous system of maintaining stores in arsenals?—Yes, and establishments.

625. And that the policy of the Indian Government has been by contract allowances, not only to batteries, but to cavalry and infantry, and in various forms to avoid the necessity of maintaining expensive establishments?—Certainly; and the result was that I recollect a return being made to show that there were no troops in the whole of the world that cost so little as the troops in Bengal.

626. And that the power over battery commanders, in respect to their equipments being complete and effective, was very strong indeed?—Yes.

627. Not only did the general officer in command exercise that power, but amongst ourselves we had an *esprit* which prevented the bad conduct of any one officer from telling injuriously on his battery?—Certainly. I know of two or three cases where an officer did not keep his battery in proper order, and a committee of artillery officers was appointed to overhaul his battery; and I think the contract allowance for two years was required to put one battery in proper repair.

628. On the whole, therefore, you are of opinion, from all your long service and experience, that if the officers gained, the Government gained fully as much as the officers?—It was certainly the most economical system for the Government.

629. You have no idea, no notion whatever, that the Government will make one fraction by the abolition of contract now?—I doubt if they will make anything.

630. You know, by experience in the past, that they will be obliged at once to lay in large stocks of stores in the arsenals, which will in themselves soon deteriorate and become inefficient?—There is one thing you must recollect, that now the communication between stations is so much easier, that if you want half-wroughts you can get them up by rail without the difficulty which you would have had formerly.

631. But still the stocks of stores will have to be laid in to a greater extent than they were under the contract system?—Yes; and then leather, for instance, perishes quickly.

632. Questions have been asked with respect to exposure; do you remember ever covering your wheels with hides, with dung, with every kind of materials to save your wheels?—Yes.

633. In one march you would have half-a-dozen wheels break down?—Yes.

634. You

Sir *George Balfour*—continued.

634. You would have to resort to extreme measures, working men all night, and sending into the villages?—The great difficulty was getting fuel to set up our wheels on the line of march.

635. The men would be at work all night sometimes in such cases?—Yes, to be able to start next morning.

636. So that when the march was commenced the guns and carriages were in an efficient order, and that was done by great exertion on the part of the commanding officer, as well as all the subalterns?—Yes.

637. You remember the fact of Sir George Barker's Committee having reported strongly against the contract system being maintained?—I do, but that is from hearsay.

638. You are aware that at that time I was at the head of the Military Finance Department?—Yes.

639. If I had advised Lord Canning to abolish the contract system and that committee also had advised the same, do you think Lord Canning would have abolished it?—I think if you had advised Lord Canning to abolish it he would have done so.

640. But as I did not advise him that way, do you think that I had a good reason?—I am sure you had.

641. You are aware that great reductions of expenditure took place during that time?—Yes.

642. Do you not think I would have been too glad to resort to the measure if I could have seen my way to economy?—Certainly.

643. In all these points of view you think whatever was done by the officers they did some work for the Government which was useful to the Government as well as economical?—I think they did extra work for the Government, and they were remunerated for it by the Government very handsomely.

644. And that the Government had a return for it?—Yes.

645. That on the whole the duration of batteries under that contract allowance was exceedingly long; the carriages were kept in a thorough state of order; the difficulties of exchanging carriages for new carriages were exceeding great; they looked with suspicion on an officer sending in his old carriages for the purpose of getting new carriages; and in that direction there was great economy in preventing the wear and tear of matertal?—Very great indeed.

646. You are not prepared to offer any detailed information with reference to the battery contract allowances, are you?—No.

647. Excepting that which the records show?—Yes.

648. But you are able to state that the cavalry still retain their old contract allowances?—I think they get the two rupees a horse.

649. You are aware that the artillery major has only received 12 annas per horse, instead of two rupees?—No, I have not followed that.

650. You are aware that an officer commanding a troop of cavalry receives a command allowance of 75 rupees a month, as of old?—Yes.

651. Then you would know that the artillery only receive 50 rupees as command allowance for a battery, and that is made part and parcel of the pay and allowance of a major which he ought to receive?—I was not aware of that.

Mr. *William Holms*.

652. Am I right in supposing that in your opinion the system of contract allowances involved a great amount of responsibility and work upon the part of the officer in command of a battery?—Yes.

653. Am I also right in supposing that the difference between the amount expended on those contract allowances and the amount received, that is to say, the profit he made, was no more than sufficient to compensate him for that responsibility and that work?—It was a very fair remuneration.

654. Am I right, further, in supposing that in your opinion it was for the benefit of the Government of India to have that contract system; for their benefit, and not for that of the officers?—Certainly, it was for the benefit of the Indian Government.

655. And, lastly, am I right in supposing that therefore you are of opinion that the question of contracts has nothing whatever to do with the question of pay?—I contend it has nothing whatever to do with pay.

656. And therefore forms no proper reason for withholding pay from the officers whose claims we are now inquiring into?—No; I understood the 250 rupees a month which was given to the officers commanding the siege batteries raised during the Indian Mutiny, was really to pay them for the extra work that they did. An officer commanding an infantry regiment who had not nearly as much to do got his 400 rupees command allowance.

657. And you are clearly of opinion that the question of contracts has nothing whatever to do with the question of pay?—Yes.

Mr. *Muntz*.

658. You are aware that when the contract allowance system was put an end to it was on the ground that an increased pay was to be given on the abolition of the contracts?—Yes.

659. Therefore it had something to do with it then?—Yes; but I think it is a very wrong ground to go upon.

660. When you went to India as an artillery officer first, how many guns were there to a battery?—Six.

661. In reference to these contracts, in time of war or severe weather, or in marches, they were sometimes no profit at all, I understand you?—There might be for two or three months no profit; but then if you had a halt for five or six months that made it up. I say, upon the whole, every officer commanding a battery that was a good man of business and looked after his work made money.

662. And therefore in an ordinary time it was a profit?—Yes.

663. In time of peace a profit of from 25 to 30 per cent.?—Yes.

664. How many rupees might you have made in the course of a year, if I might ask the question without impertinence?—The command allowance had nothing to do with the contract; that in my days was 6 *l.* a month, and I should say that during the time I commanded a troop of horse artillery, taking one year or one month with another, I made perhaps 300 *l.* a year.

665. You alluded, in an answer you made to some honourable Member, to a question I put to Colonel Radcliffe, as to the number of hours which would be required to attend to the contract;

Major General *Smyth*, C.B.

17 July 1877.

Mr. *Muntz*—continued.

tract; I did not mean to the battery but to the battery contract. It was put by an honourable Member that it entailed very onerous duties taking the battery contracts, and I asked how many hours a week would that onerous duty entail?—It was a very onerous duty, mentally and physically, you may say, because you had to be every day looking into your stables and among your gun-carriages, and it was incessant watching.

666. A little supervision every day just as you look after your horses in the morning?—Some people look after their stables much more than others, and find the advantage of it.

Lord *George Hamilton*.

667. When you arrived in India there was a general system, was there not, of entering into contracts with officers commanding not only batteries, but also other regiments in the cavalry and in the infantry also?—No, I think when I entered the army the infantry contracts were only for tentage, and that the quartermaster had. Then every officer commanding a company had a contract for his arms and accoutrements.

668. Colonels' off-reckonings?—That was supplying the clothing to the army; there was a board in Calcutta composed of so many officers that were at the Presidency; they received all the money, clothed the men, and distributed whatever was over among the colonels entitled.

669. Do you not think there is a considerable analogy between colonels' off-reckonings and the contract allowances?—No; this board in Calcutta managed it all, and at last the Government took it into their own hands; they took the average and gave the proceeds to the colonels.

670. But would you not call the off-reckonings pay?—The off-reckonings were paid to the colonels as they are at home here. An officer commanding a regiment gets his 1,000 *l.* a year just exactly the same.

671. But having abolished what are called off-reckonings, the Indian Government have now for some years past substituted colonels' allowances?—Yes, but for years before that, there was a clothing Board in Calcutta, and they managed it all; there was a certain sum of money handed to this clothing Board, and they clothed the regiments, and the balance was divided among the colonels of the regiments.

672. But still they derived indirectly considerable profit?—Yes, but it was intended as a reward, just like the colonels' allowances at home; as a reward for old officers.

673. You do not think it is analagous to the contract allowances?—No, certainly not

674. You have stated that you consider the contract allowances economical. Now, of course, circumstances have very much changed in the last few years, and a system which would have been economical when established, would not necessarily be so now?—Yes, it would take months then and not as many hours now to get stores from magazines.

675. The Indian Government are under the impression that they will save money by the abolition of the system?—I hope they will.

676. Do not you think that if the Government are under the impression that they now lose by these contract allowances, and what they lose goes into the pockets of the officers commanding the batteries, they ought to take that into consideration?—In India we used to try to save the public money, but since I have been at home, where no responsibility is thrown upon officers, I notice that they do not care whether they spend 20 *l.*, where if they were responsible, they would only spend 5 *l.* It is pulling as much out of the War Office as they can. There is no responsibility thrown on their shoulders; give the officers responsibility and they would serve the Government better, I think.

Lord *George Hamilton*—continued.

677. Do you not think that if the contract system had been abolished some years ago, the Indian Government would have compensated the officers?—No; they need not have done so, I think.

678. Allusion has been made to that Committee of which Colonel Barker was Chairman?—Yes; I have never seen the record of the proceedings.

679. I will just read an extract from his minute; what he said was this: "The discontinuance of the contract system would cause a very serious pecuniary loss to captains of batteries and I submit that an equivalent should be given in the shape of command pay in the event of this system being abolished." The Chairman has handed me the complete report, from which he wishes me to read some further sentences, and they are as follows: "I also submit, with due deference, that officers commanding batteries are, at present, unequally paid, as compared with commanding officers of regiments. Their commands are independent and most important, and although, perhaps, numerically inferior, the responsibility and labour, from the mixed nature of their duties, the number of carriages, and the amount of stores in their charge, equally great, while at the same time the assistance they receive, owing to the small number of officers and the absence of staff, is very trifling. I object, however, to this indirect way of remunerating officers for their services, through the contract allowances, and I consider they would be placed in a better and more fitting position by the grant of command pay of 300 rupees a month. As compared with officers commanding regiments of irregular cavalry, captains of batteries are still more unequally paid. There can be no question as to the comparative importance of the two commands, or the labour and responsibility attending them; and while of the same rank in the service, the lowest rate of command pay granted to the officer of cavalry is upwards of 500 rupees per month, and in case of his being a lieutenant, he receives upwards of 700 per month for his command." You see Sir George Barker proposed compensation for this continuance of the contract allowances?—He proposed by that to give them a command allowance.

680. It was compensation for the contract?—I do not say so.

681. It is his proposition?—Yes.

682. I daresay you heard me examine a previous witness about a certain compensation that was given for the absence of contract allowances?—It was about that sum of 250 rupees. I have explained that I am quite certain that that was given as a command pay, not for anything to do with the contracts; it was a most responsible post, and I believe that the Commander in Chief would have had very great difficulty in getting the very best officers to take this responsible post if he had not paid them.

683. Do

Lord *George Hamilton*—continued.

683. Do you consider that the duties were more responsible than those of officers commanding other batteries?—Most responsible. With the number of cattle that they had, and the establishment, the responsibility was very great indeed; and of course an officer would have rather had the easy work of a field battery than have had one of these heavy batteries, with elephants and bullocks, and no end of artificers.

684. You have spoken no doubt as an officer of very great experience, and to a certain extent, I suppose I may say, entirely from a military point of view; do you not think that the Indian Government, when a change is made which would involve heavy expenditure, are justified in taking into consideration the indirect remuneration which these officers receive?—I am an old Indian, and I look with great regret and horror at the extra expenditure that there is, to what there was in the old East India Company's days. I have always been fond of India, and liked India, and I am quite horrified at the expenses.

685. You are aware that the great increase in the Army expenditure is due to our now having an Imperial Army instead of a local Army?—Of course it is. I see that whereas in my time, and when I went out to India, a soldier was taken out for 11 *l.* or 12 *l.* a head, with these fine troopships it costs 150 *l.* or 160 *l.* to take him out.

686. Do you not think that the Indian Government are justified in dealing very cautiously with these questions of expenditure?—I am very glad to see the Indian Government refusing to join in these expenses; I think they are quite right; but still these officers must be paid by somebody.

687. You think that no consideration ought to be given to the fact that they held these beneficial contracts?—No; the contracts were only paid for the work done.

688. When an officer went on short leave in India, did he not give compensation to the second in command, who took his place?—In my day, if an officer were going away for six months, he said to his second in command: "Now I am going away; of course you are entitled to the whole of this contract allowance, but I will keep the contract in my own hands, and will give you a certain sum of money to look after my interests;" and I think, in general, they gave him in field batteries about 10 *l.* a month, and in the Horse Artillery 15 *l.* a month.

Mr. *Muntz*.

689. You were asked by Lord George Hamilton whether these officers ought not to have some compensation for losing their contracts; but there were a number of majors, and all the Engineer majors, who had no contracts at all?—I say there was no claim for that compensation at all.

Mr. *Courtney*.

690. You do not allow that these contract allowances were any part of the pay; that is your cardinal principle?—Yes.

691. And therefore you say that the allowances might have been taken away without any compensation?—Yes.

692. And therefore you think that opinion of Sir George Barker's is unfounded?—Yes.

693. Do you think that if the allowances had been taken away there would not have been

Mr. *Courtney*—continued.

some compensation?—If the allowances were taken away, I think the cry would be, "These are officers in very reasonable situations getting much less than a cavalry captain, who has got his 50 or 60 horses, and these men have at least 450 men on the rolls, besides bullocks and the 150 horses," and that sort of thing.

694. In fact, that they would lose a part of the emolument due to their rank?—Yes, and then they would say, "We must have some command pay."

695. I think I understood you to say that if there were any inequality between the Queen's troops and the Company's troops brought to light, that was equalised by allowances?—Yes; but my impression has always been that the Indian Government were most jealous of having any interference with their allowances.

696. You say that any such inequality was equalised by allowances?—Yes.

697. So that in that case the allowances were looked upon as making up the pay?—It was tentage, and batta, and house-rent; those are what we call allowances.

698. In that case they were taken to make up the equal emolument?—There was one allowance not put down on the rolls now, a sort of personal allowance, and they decreased that; supposing a subaltern was entitled to 1 *s.* 6 *d.* a day more, he drew his pay as 7 *s.* 6 *d.*, but it was taken out of his personal allowance.

699. You must be familiar with many relations in life in which a person has a small regular pay and irregular receipts; such as a parson, who has a fixed stipend, and gets his fees besides?—Yes.

700. And so in the Law Courts?—Yes.

701. In all the cases in which their position has been changed, have not their fees and irregular receipts been taken into account?—I think by Parliamentary Committees. They always apparently remunerate them for anything of that sort.

702. So that they are treated as part of their pay?—Yes.

703. Were you here when Lord Cardwell gave his evidence?—Only for a very short time.

704. Supposing you had been in India at the time he made his speech on bringing in the Estimates, would you have jumped at the conclusion, supposing you were a first captain, that you were going to receive an increase of pay?—Yes; but, seeing what a heavy charge it was, my own private opinion was this, that the Indian Government would give the major's pay and only captain's allowances.

Lord *George Hamilton*.

705. By "captains' allowances" do you mean that they would have given them the English pay of a major?—The Indian pay of a major.

706. And what would the allowances be?—The pay of a major of Horse Artillery is *Rs.* 461. 1 *a.* 10 *p.*; the pay of a captain is *Rs.* 306. 11 *a.* 4 *p.* There is a difference, you see, of 16 *l.* a month. The batta of a major is 228 rupees; the batta of a captain is only 91 rupees. So that, I thought to myself, if the Indian Government are going to refuse to pay them, they will be forced to give them the pay proper, but they will not give them the batta.

707. Then

Major General *Smyth*, C.B.

17 July 1877.

Mr. *Courtney*.

707. Then you would not at once have jumped to the conclusion that they would have got all the emoluments?—My idea was that they ought; but when the Indian Government were fencing, I thought they would have to give in to the extent I have mentioned.

708. Supposing that you were serving in India, and that the speech of Lord Cardwell came out to you, what conclusion would you draw from that speech?—That we should receive the pay and allowances of majors.

709. Lord Cardwell gave this opinion last Friday: "If he" (that is, an officer in India) "knew his business, and gave me credit for knowing mine, he would not suppose that I meant anything of that sort in my speech"?—I think it was the conclusion that everyone did come to who read the speech.

710. You referred, I think, to the case of a negligent officer who let his battery get into a bad condition, and his contract allowances were taken away for two years?—No, I did not say that. The inspecting officer saw his battery and said it was in bad order, and he ordered a committee to assemble and put it right; and they sent him in the bill, which was at least the allowances for two years.

711. The officer's allowances were sequestrated for two years?—They made him pay the money at once.

Mr. *Fawcett*.

712. Did I rightly understand you to say that up to the time of the Mutiny these allowances were never considered as pay?—Never considered as pay.

713. By putting it in that way, did you mean that since the Mutiny they have been considered as pay?—No; I said that then a new element came to India, the Royal regiments from England, and then they said, "What is this? We do not know this custom of receiving so much; we do not like this system"; and I think that one or two of the senior officers said that they must look upon it as so much pay, but we never considered it as pay.

714. Some of the officers in the Queen's Army said that they must look upon it as an increase of pay, if I understand you?—Yes.

715. Do you say that, considering all the circumstances of India at the present time, you consider it disadvantageous that this contract system should be abolished?—I am not prepared to say that; I do not think the Government will save as much as they expect by it, because I think there will be more waste; but in former days there was such difficulty of communication; it was only at one season of the year that the roads were in a fit state to travel on, and we could only get our supplies from magazines at one particular time of the year, and therefore it was a great thing for every battery to be self-supporting.

716. Having alluded so strongly as you have done to the sentiment of economy, as encouraged in the days of the old East India Company, I gather that you still consider economy of much importance?—I do, indeed.

717. That being the case, do not you think that, since the two armies have been amalgamated, it is absolutely necessary that where the finances of India may be very seriously affected by a change introduced here into the English

Mr. *Fawcett*—continued.

Army, the Indian Government should keep a control over military expenditure, and should have in its own hands the regulation of the pay of its officers?—The two offices, the India Office and the War Office, ought to work together.

718. But then, having studied the subject of Indian economy, you must consider it of importance that the Indian Government, which is responsible for the finances of India, should control its military expenditure?—As much as ever it can possibly, and reduce it too.

719. Then you admit fully the right of the Indian Government to say what these officers in question should receive?—I consider that these officers are entitled to major's pay, from what happened in Parliament. Lord Cardwell says he meant one thing, but I think, from the way he brought it forward, every officer had a right to suppose that he was going to receive his major's pay.

720. You consider that the chief ground of his claim is Lord Cardwell's speech on the Estimates?—Yes.

721. That if Lord Cardwell, in introducing that change, had at once said, clearly, "We are going to make these captains majors, but the Indian Government says that they cannot afford to give them major's pay, and therefore it must be distinctly understood that these captains who are serving in India will not receive Indian pay and allowances," then you would not have thought that they had any claim for it?—I do not think I could go so far with you as that, because the officers would be put in such a very extraordinary position; they would go to the island of Ceylon, and find there a man receiving his major's pay, and then a man at Madras, only a few hours distant from him, only receiving a captain's pay.

722. But then, taking the case of Ceylon, is not this still more extraordinary; you take two countries contiguous to each other, and you find at the present time (looking at it now from the point of view of the officer serving in Ceylon), that a major serving in Ceylon, or a major serving at Hong Kong, being paid by wealthy England, does not get anything like as much as a captain who is being paid by a poor country like India; that is a fact, is it not?—Yes; but I do not call India a poor country.

723. May not that inequality kindle a sense of injustice just as likely as the other?—No, I do not think it, because the Army has been brought up with the idea that when they go to India they receive more pay.

724. But, as a matter of fact, a major paid by England serving in the Queen's Army, although he may serve in a most unhealthy climate, so long as it is not in India, receives less than a captain serving in India?—Very true; that is an anomaly.

725. And that anomaly is an anomaly on which the officers have been reared, you say?—Yes.

Sir *Walter Barttelot*.

726. Mr. Fawcett has asked you about Ceylon; now the officers in Ceylon receive the colonial allowance, do they not?—They do.

727. And they have an allowance for forage, for their house-rent, and servants?—I believe so; but I have only been a few days in Ceylon; I do not know the particulars.

728. Now

Sir *Walter Barttelot*—continued.

728. Now let me ask you one question on another point. Lord George Hamilton has asked you a great deal as to whether the case of colonels, that is to say, general officers at home or abroad who command regiments (their pay was commuted, as you know, some time ago) is an exactly analogous case to this case of the pay and contract allowance of a major of Artillery?—I do not think it is.

729. Now is not this one man's, and a material difference in the two, that with regard to the majors of Artillery, and the contract which they have, they are bound themselves to perform those contracts, and are absolutely responsible themselves for what is done?—Yes.

730. And is it not the fact that with regard to the colonels, that is the general commanding regiments, who were fortunate enough to have regiments, they had nothing in the old time to do with the equipment of the regiment except to pay for it?—Nothing.

731. A Board sat every year, consisting of the commanding officer or the major, and perhaps the commanding officer and the major, with the quartermaster, who considered and condemned every article which was bad; is not that so?—Yes, but in India the system was, that at each Presidency there was a clothing Board, composed much as you have just described, but they managed eveything; they received, according to the number of men who were borne on the rolls of the regiment, the money from the Government, they issued the clothing, and the profits were equally divided among the colonels.

732. Therefore, as a matter of fact, in the case suggested, the man who ought to have received the money, did not know until the expenses had been paid for the clothing and other matters, what he was going to receive?—No, he had nothing whatever to do with it.

733. And therefore it was a very satisfactory arrangement to all parties that a certain fixed allowance should be made to these general officers who commanded regiments?—Yes.

734. Do you remember that in the year 1871 there were several batteries, I think they were of horse artillery, that were brought home to England?—Yes.

735. And did not the officers commanding those batteries apply for some allowance to be made for their stores which they had in stock?—Yes, certainly.

736. And what was the answer given to them?—That the Government had nothing whatever to do with it.

737. Was not the answer this, that they had taken the contract for better or for worse, and they must abide by it?—Yes.

738. Did not that clearly show that this matter of contract had nothing on earth to do with their pay?—Quite so. If I recollect right, the officer commanding one of my own batteries was ordered at a few hours' notice from a place where he had scarcely any chance of selling anything, and he left above 100 *l.* worth of leather and iron there, and could not get 25 *l.* for it, and the officer requested remuneration but could not get it.

739. You have been asked, and pressed very closely, about the time that it took to look after these things, and the duties you had to do. Now from your long and great experience in all these matters, are not you enabled to say to this Committee, that an officer commanding a battery who does his duty absolutely, looks after the interests of the men, and of the guns, and sees that everything is in complete order, has his whole time taken up?—Yes, because he has his cantonment duties to do besides; if he is a field officer there are courts martial and all those things; an officer has a good six or seven, if not eight, hours work a day.

Sir *Walter Barttelot*—continued.

740. But I meant independently of the drills, and all those other duties; he has to overlook and overhaul his guns, his saddlery, and everything else that belongs to a battery?—Yes.

741. He must be perpetually doing it to see that it is in good and proper repair?—Yes.

742. Sometimes it may take many hours and sometimes not so long, but as a rule it would take up a man's whole time to look after his battery and do it well?—Certainly.

743. You said that it was only once that you were out of pocket by these allowances; now did not that follow, because you were absolutely, as a soldier ought to be, economical, and looked after your affairs in time?—I had a very good establishment, and they all worked with me for my interest.

744. I do not say that it would happen; but looking at it in a broad point of view, when a man has an interest to see that everything is kept in good order, because if he does not the expenses will come out of his pocket; it is not more likely that he will look after his things closely and carefully than when he has got a large purse to go to somewhere else, which he can come upon at any time he pleases?—That is just the remark I have been making.

745. Now about the off reckonings which were received with regard to the colonels' allowances; they were abolished, I think, in 1846?—I forget the date now.

746. But when they were abolished there was an allowance made for it?—Yes.

747. And that allowance continues to the present time?—Yes.

748. And I think we have a living example in our friend Sir George Balfour, who, irrespective of his pay, receives 640 *l.* a year for these abolished off-reckonings?—Yes.

749. Then, with reference to what Mr. Fawcett asked you about the army, whatever your opinion may have been, with regard to the abolishing of the old East India Company's army, as an old soldier, I think you would not for one moment say but that the man who is responsible for the army of this country, a part of that army serving in India, ought to be the man to whom you should apply when any changes are made with reference to the pay or the rank of the officers of that army?—Are you alluding to the petitions that were sent in?

750. No; I am alluding to the Commander in Chief at home and to the Secretary of State for War being the proper people upon whom the army in India ought to rely for advice and for assistance?—In reply to that, I suggest that the officers in India, when they sent in those petitions, sent them to the Secretary of State for War, through the Commander in Chief's representative, Her Majesty's Commander in Chief in India, and it was for him to send them to the proper authority.

751. I am not going into that, but I am asking you whether you think that the sole responsibility

Major General *Smyth*, C.B.

17 July 1877.

Major General *Smyth*, C.B.

17 July 1877.

Sir *Walter Barttelot*—continued.

of managing the army in India ought not to rest with the War Office and with the Horse Guards?—No; Her Majesty appoints a Governor General and a Commander in Chief in India, and that they, in a very great degree, are responsible to Her Majesty's Government for everything that happens to that army in India.

752. Then you think that it ought to be a divided command; that the responsibility for an army like our army, as at present constituted, should be divided between the Indian Government and the Home Government?—I think that it is delegated to Her Majesty's representatives in India.

753. What is delegated?—The command of the army there.

754. Naturally there is a General Commanding in Chief in India; but to whom is that General Commanding in Chief responsible?—He is responsible to the Governor General of India.

755. And do you mean not at all to the Commander in Chief here?—No, except for discipline.

756. But is not discipline one of the main things?—By discipline I mean drill, &c., &c., and nothing to do with the pay or the organisation; he must obey the orders of the Governor General who is over him.

757. No doubt he must obey the orders of the Governor General; but the question that I am trying to ask you, if I can make myself clear, is this, whether the army being now all part and parcel of the same army, and not two armies as it was before, it is not more advisable that the Home authorities should have the sole responsibility; and whether if that had been the case, the question which we have now before us would never have arisen; and whether in future cases it is not much more advisable that the Home authorities should have the responsibility which you say now is divided between the two?—You see I am an old Indian, and I am loyal to the Indian Government, and I should regret very much to see that the Governor General of India has no control over the army in India.

Lord *Eslington*.

758. To illustrate my gallant friend's question, let me put this to you: supposing it were necessary at any moment to move five regiments of infantry or of cavalry, as the case might be, to the frontier, would not those regiments, upon the order of the Governor General so to march, be obliged to march at once without any question of what the cost would be, or anything else?—Certainly.

Sir *Walter Barttelot*.

759. That was not my meaning, but I will not press the question further except to ask you notwithstanding all that you said just now, you still are most strongly of opinion that the speech of the late Secretary of State for War in the House of Commons when speaking of the army, did embrace the Indian Army as well as the English Army, and you rely upon that for the justice of the cause which you have been advocating here to day?—Certainly I do, in that instance.

760. Let me ask you this: how long were you in India?—I served actually in India about 25 years.

761. What year did you go there in?—I got my commission in 1831, and I arrived in India in 1832.

762. Let me ask you, then, taking 1832 as the date, is not there a very great difference in the value of money in India now between the year 1832 and the year 1877; is it not very much depreciated, or I will say take 1872, which was the year in which this contract system was in force?—Yes; prices have risen very much indeed.

763. And is not the contract allowance precisely the same as it was in 1820?—Yes.

Sir *Henry Wolff*.

764. I merely wish to call your attention to two passages, one in a Despatch of Lord Salisbury's to the Governor General, and the other in a letter laid before Parliament in the last few days from the India Office to the War Office on this point. Lord Salisbury says: "It is proper that I should notice, before closing this Despatch, the explanation afforded in the fourth paragraph of your letter under acknowledgment, of the course followed by you in connection with the question of forwarding memorials from the officers of Her Majesty's British Service relating to their pay and position as regimental officers. Upon this I have only to observe, that it may be quite proper that questions affecting British officers, as holding appointments conferred upon them at the pleasure of the local government, should be addressed through the Commander in Chief to that government, but it would be obviously extremely inconvenient to sanction the introduction of so novel a proceeding as that of officers of British regiments temporarily employed in India appealing to the Government of that country, and through them to the Secretary of State for India, upon subjects relating to pay or other privileges due to their regimental position. The circumstance that most of the memorialists in the present case happen to have been formerly in the local service, though it might induce the Government to look with greater interest upon their statements, can make no difference in the soundness of the established rule and principle in this respect." And then, in the letter from Colonel Johnson to the War Office, Lord Salisbury, through him, says this: "Though ordinary claims made by officers of British corps for pay or other allowances due under regulations in force in India may fairly be made through the local authorities, it does not seem to Lord Salisbury desirable or convenient that the reply to these special memorials of officers of the Royal Artillery and Royal Engineers should proceed from any other authority than the War Office, and I am therefore desired to convey to Mr. Secretary Hardy the conclusion at which, after giving the subject its full consideration, Lord Salisbury has arrived." May I ask you whether you agree in the principle there laid down by Lord Salisbury?—No; I think it was the Indian Government, and not the English War Office, that refused to give them the pay. The Commander in Chief in India decided to send the memorials to the Governor General in Council, and the Governor General in Council forwarded them to Lord Salisbury.

765. But as the Secretary of State for War is the original source of the appointment of officers, and they depend upon him for their appointment and promotion, have they not a right to look to the Secretary of State for War for protection in case the

Sir *Henry Wolff*—continued.

the local authorities in India do them an injustice?—Certainly they have, as an appeal; they have the Secretary of State for War to appeal to.

Sir *George Balfour*.

766. It has never, from the time you entered the Service, and from time immemorial, been permitted to any officer in India to go beyond the Governor General?—No.

767. In case of grievances they had a right to memorialise the Company, all officers of all ranks, and to get redress from them?—Yes; it was sent through the Governor General.

768. The confusion which arises here is from the gross neglect owing to which the officers were driven from pillar to post until such time as they got redress?—Yes.

769. All that Lord Cardwell promised was, that the majors of the Artillery should be put on the same footing as respects pay with the majors of the Line?—Yes.

770. To that extent he was committed?—Yes.

771. Lord Cardwell had no right whatever to

Sir *George Balfour*—continued.

inquire what the amount of the pay and allowances was?—No.

772. But the majors had a right to expect from that, that as one servant of the Queen had agreed with another servant of the Queen, he would place them on that equality which all the previous practice of the House of Commons would give them?—Yes.

Mr. *Muntz*.

773. Who appointed the committee of officers for the off-reckonings?—The Governor General and each Presidency appointed their own committee.

774. It was therefore a sort of joint stock company?—Yes, but all done by the Government.

775. Would you explain to the Committee what you mean by batta?—The Indian pay is composed of what they call pay proper, tentage, batta, which is a sort of extra allowance, and house rent.

776. Then the result of leaving the pay, and taking away the batta, would be a considerable loss to the officers?—Certainly.

Friday, 20th July 1877.

MEMBERS PRESENT:

Sir George Balfour.
Sir Walter Barttelot.
Mr. Courtney.
Mr. Grant Duff.
Lord Eslington.
Mr. Fawcett.
Mr. Carpenter Garnier.
Lord George Hamilton.
Colonel Jervis.
Mr. Arthur Mills.
Mr. Muntz.
Captain O'Beirne.
Mr. Denzil Onslow.

COLONEL HENRY JERVIS-WHITE-JERVIS, IN THE CHAIR.

Major General Sir THOMAS T. PEARS, K.C.B., called in; and Examined.

Major Gen. Sir *T. T. Pears*, K.C.B. — 20 July 1877.

Chairman.

777. You were Secretary to the Military Department in the India Office from July 1861 to April 1877, were you not?—To January 1877.

778. You are aware of the subject of this inquiry?—I am.

779. I suppose your knowledge does not extend beyond the date of your retirement?—No, it does not.

780. You have seen, have you not, the evidence given by Lord Cardwell before this Committee, in which he states that as regards the question before the Committee, he adheres distinctly to the evidence he gave before the Committee on East India Finance in 1874?—I have had an opportunity of seeing, in a cursory way, Lord Cardwell's evidence; but I cannot say that I have been able to read it very carefully.

781. He distinctly stated to the Committee that he adhered to whatever evidence he had given in the year 1874; will you look at Question 1321 of his evidence in that year; he is there asked: "While you were Secretary of State for War, a good many changes were made with regard to the army, some of which affected the finances of India; and there is an impression in some quarters that those changes were made without the interests of India being considered, and without any consultation with the authorities of the India Office, who represented those interests. Perhaps you will state to the Committee whether that is your opinion?" and his reply is: "I am quite sure that if anything of that kind has occurred, it must have been entirely *per incuriam;* for I have the pleasure of recollecting many long and interesting conversations, some with the Duke of Argyll and Sir Thomas Pears together, and some with Sir Thomas Pears when the Duke was not present. My agreement with the principle is perfect. I think that whenever we do anything which is likely to affect India, we are bound to consult India, and to know, before we take the step, as well as we can, whether it will have any effect upon India or not, and to consider that effect. The Committee probable know that there is an Indian officer in the War Office, the Assistant Military Secretary, who is paid by India, who has great means of information is to everything that is going on, and who, as I believe, is in constant communication with Sir Thomas Pears; and I have always supposed that everything that we were meditating which was likely to be of interest to India was, in one way or another, communicated to the India Office, and that the India Office was consulted before we took that step." Then, a little further on, you will find he says: "Then another question which has been raised is, that two years ago we thought it necessary to introduce the rank of major into the Royal Artillery and the Royal Engineers, on the principle that in modern warfare few things are more important than the command of a battery of artillery, and that the commanding officer of a battery of artillery ought to be a field officer. That also had a great bearing upon the question, which had been a very difficult one, of the promotion and the retirement of the officers of Royal Artillery and Engineers, which had long occupied the attention both of Government and of Parliament. Now, not only did we repeatedly communicate with the India Office, but we considered an alternative proposal from them; and, although we did not adopt it, we obtained, as I understood, the entire consent of the India Office to the arrangement which we made, and, certainly, we altered the clause of the Royal Warrant for the express purpose of preventing its being an additional charge upon India. I cannot enter into the subject of contract allowances in India, though they are probably familiar to many gentlemen whom I have the pleasure to address, but I certainly was given to understand that, in the form in which the Warrant was ultimately passed, it would be in the power of India to protect herself against any increase in the charge on that account, or, at all events, against any considerable increase in the charge on that account. Therefore, it is a mistake to suppose that the arrangement (though it was a very necessary arrangement) by which the command of a battery was given

Chairman—continued.

to

Chairman—continued.

to a field officer was made without the fullest consultation with the India Office." Again, if you will turn to Question 1664 he is asked as regards the War Office not communicating with the India Office when Indian interests were involved, this question by the Under Secretary of State for India: "I think I could illustrate that by reminding you of what took place when the War Office proposed to promote Artillery captains to the rank of major; the first communication in that case came from the India Office, who had heard indirectly that some such change was proposed, and not from the War Office, who were proposing the change?"—*A.* I believe I stated the other day that an alternative proposal from the India Office was considered by the War Office before any public declaration was made at all to Parliament, or the War Office was in the least degree committed on the subject." Then at Question 1665 he is asked, "But further, did not the War Office consider that this alteration would not put any increased charge upon the revenues of India, and is it not the case that that was rather the reason why they did not communicate with the India Office?—*A.* No; I think that as far as my knowledge and memory go, that is not a correct version of what passed at all, the question of what addition would be made to the pay in India was considered; we were told that there was a system of contract allowances which it was no part of my duty to go into, and which I did not thoroughly go into, but which, so far as I understood it, did not appear to me a desirable system to maintain. I was told that the abolition of that system of contract allowances would be a considerable advantage to India; but so far as I remember what was ultimately decided was this, that the clause in the Royal Warrant was altered to give the major only a slight increase of pay beyond what he had received as captain, with a command pay; and this arrangement was accepted as enabling the India Office to meet what would otherwise have been a considerable increase of charge upon the revenues of India. *Q.* But the consequence of that alteration has been that an additional charge of 40,000 *l.* a year has been placed upon the revenues of India; I do not suppose that would be within your cognisance, because the Despatch was only received the other day?—*A.* I must leave your Lordship to explain that, for it appears to have taken place under your administration and not under mine, and I can offer no explanation about it. *Q.* No; the Indian Government recommends the change, and they say that it is a necessary consequence of the promotion of captains to the rank of major, as it is felt that if a man is promoted to that rank he ought to have the pay?—*A.* Then I suppose that these economical views with respect to the contract allowances have in some way evaporated in the intervals. *Q.* But did the India Office ever intimate that this alteration would not impose any additional charge upon India?—*A.* The intimation under which I acted was that the India Office were satisfied with the arrangement of the Royal Warrant being altered in the manner I have described; but, as I stated the other day, even if the India Office had not been satisfied, I do not think that was any reason why in the present state of military affairs the command of a field battery should be left in the hands of an officer below the rank of field officer."

Chairman—continued.

Then he is asked by the honourable Member for Kincardineshire, at Question 1695. "*Q.* I merely mention the circumstance that the increase was given in a form which did entail upon India a further charge. Now, with regard to the Artillery majors, I distinctly understood that you had seen, or been informed, that the arrangements connected with the contract allowance would be so made as to enable the Artillery major to receive the extra pay without entailing upon India any increased expense?—*A.* No, I did not go so far as that; I stated the other day that I did not go to the bottom of the contract allowance question, which it was no part of my business to do; what I understood was, in the first place, that it was our purpose to give to the commanding officer of a battery of artillery the rank of field officer; and that there were modes known to the Government of India by which, if we framed the Royal Warrant in the way in which we actually framed it, namely, giving a very slight increase of pay, and giving the rest as command pay, India would be able to accommodate her arrangements so as to avoid any considerable increase of expense; and my understanding, so far as I did understand it, was that the advantage to India would be acquired by a saving in that system of contract allowances." Can you tell us what the alternative proposal referred to by Lord Cardwell in Question 1664 that was made from the India Office?—There was no alternative proposal that I am aware of made from the India Office.

782. Will you kindly refer to the evidence of the Duke of Cambridge; he says, I think, that he remembers an alternative proposal being made?—Perhaps I shall save the Committee some trouble if I explain that I believe what Lord Cardwell means is that in the several conversations that I had at the War Office with Lord Cardwell and the Duke of Cambridge, and some others, I had personally suggested arrangements to obviate the necessity of making this regimental promotion at all. I took the liberty of suggesting, as I was invited to suggest, otherwise I should have given no opinion upon the organisation of a regiment of Artillery; there were many men there far more conversant with the subject than I was; but as I was invited freely to state my opinion, I suggested that as the rank of major was seemingly required to put the officers of Artillery on a fair footing with the officers of the Line, giving them brevet rank, on certain conditions and for certain periods, would answer every purpose, and obviate every inconvenience which we at the India Office contemplated.

Mr. *Denzil Onslow.*

783. Was that advice you gave as regards the officers serving in India, or the Artillery generally?—The Artillery generally. I may state that I was on many occasions careful to warn the Secretary of State for War and the officers in high positions who surrounded him, that in speaking to me and listening to my opinion they could not be said to be receiving any opinion on the part of the Secretary of State for India in Council. The constitution of the India Office is such that it is utterly impossible for a man holding the position that I did to go beyond that and say, until the question has been placed before and deliberated upon by the Council, what they would think or what they would do.

Maj. Gen. Sir *T. T. Pears*, K.C.B.

20 July 1877.

Chairman.

784. I asked you simply as to what was the alternative proposal; that alternative proposal was the giving of brevet rank, I understand you?—That was my proposal, not that of the India Office.

785. Did the India Office make any alternative proposal?—Not that I am aware of.

786. You are aware that brevet rank in India carries no pay?—I am quite aware of that.

787. Lord Cardwell appears to have been under the impression, from the evidence he has given before this Commitee, and that which he gave before the Committe of 1874, that there was a contract system in force in India for the maintenance of the batteries of artillery, and that the sums allowed for this purpose to the officers commanding these batteries were so liberal that the Government of India, by doing away with this system, would considerably indemnify itself against the additional expense caused by the promotion of these officers; do you gather that from his evidence?—I believe that was his opinion; but I cannot say that I gather it from the evidence, because I have not studied it sufficiently carefully.

788. In his evidence which he gave the other day, at No. 86, he is asked: "At the same time, while refraining from interfering directly with the Indian arrangements, you have always desired to see justice done to the officers serving in India with a portion of the British troops serving there?" And his answer is, "Of course I should desire to see justice done; but what I did contemplate I have repeatedly endeavoured to explain; I thought that the officers would get their pay and allowances in one shape or another, but that the India Office, and they alone, would determine what it was to be; and when I found that they were incurring a very great expenditure in what were called contract allowances, I stated that I thought contract allowances were a thing that would not be tolerated in this country, and it was for them to consider whether the opportunity was a good one for getting rid of them in India." He was under the impression that they would be got rid of, and that the pay and allowances would be made up in some shape or another?—I presume that was Lord Cardwell's impression; but I do not remember that he ever stated that either in writing or verbally; in fact, I think in some other part of his evidence he says that it was not his business to recommend any change of that kind.

789. Has he not said distinctly what I put to you?—I do not think he ever said he recommended that measure; it would have been answered at once, that it was impossible to carry it out without further deliberation.

790. I must refer you to No. 60 of his evidence of this year; he is there asked, "Then I think I may fairly assume that your intention absolutely was, that the officers of Artillery and Engineers in India, as well as elsewhere, should be in a better position than they were before?"; and he answers, "I have not the least doubt that they were in much better position. The promotion itself was a very great advantage to them. If you ask me what I always supposed would be the case, it was that they would be treated as field officers by the Government of India; but I also considered that it would be very wise on the part of the Government of India, if they thought proper, to review at the same time the objectionable system of allowances." In the next question he is asked: "Now you know, from what you have heard, that that contract system has been reviewed since then?—*A.* Yes. *Q.* And that alterations were made in April, I think it was, of 1875?—*A.* Yes. *Q.* If those alterations had been made in 1872, carrying the pay and allowances that are now made to the officers of Artillery and Engineers, you would then have thought that they had been fairly treated?—*A.* As I have repeatedly stated, my desire was that that should be done. It was not done, and I can only regret it; but I had no control or authority, and could not interfere in the matter;" but whether the Government of India did so indemnify itself or not, is it not clear also from that evidence that his intention was to promote the first captains of Artillery and Engineers to be field officers, believing that the India Office would duly recognise that rank as regards pay as well as promotion?—I do not believe there was any intention on the part of Lord Cardwell of that kind beyond that of giving the rank to the officers, leaving the arrangements as regards pay to the properly constituted authority, the Secretary of State for India in Council.

Chairman—continued.

791. Do you remember the letter received from the War Office of the 8th of February 1872, in which Mr. Vivian makes use of the following words: "But he" (that is Lord Cardwell) "must, at the same time, consider that what is just and expedient, or even necessary for the British army, cannot be set aside, because the peculiar arrangements of India render the change more expensive in that country than in this. The financial arrangements of India and the military allowances are in the control of the Secretary of State for India in Council, and if the allowances are too large, the Secretary of State in Council can reduce them, only considering the opinion of the Secretary of State for War, so far as the fair position of officers of the British Army may require." What do you understand by "the fair position?"—I thought it a very peculiarly, but a very carefully worded letter. It says that the opinion of the Secretary of State for War in the matter was only to be considered so far as justice to the officers (or something to that effect) required. I do not understand that the Secretary of State for War urged that he had any voice whatever in the regulation of the pay in India.

792. What did you understand by the "fair position of officers in the British Army?"—That his opinion was to be considered (and in that I quite agree with him) as far as was necessary with a view to the fair position of an officer.

793. What would you consider as the fair position of an officer in India?—That would depend upon each individual case. I should be very sorry to see an officer treated unfairly in India, or anywhere else. The fair position of an officer in India is that he should have a reasonable amount of pay there for the work that he has to do; I cannot define it in any other way.

794. You have served for many years in the Madras Engineers?—I have.

795. If, when you were a captain of Engineers, you had received the pay and allowances of a lieutenant, would you have thought that fair to you?—It would have depended on the conditions and terms on which I received promotion. If I had been promoted to captain, and the regulations

Chairman—continued.

tions gave me only a lieutenant's pay, I should have accepted it, though I might have grumbled at it.

796. Were there such regulations?—There were, as regards the junior lieutenant colonels and the junior lieutenants of the Artillery and Engineers.

797. Up to what year?—The junior lieutenant colonels received the pay of majors up to 1872.

798. And what before that?—Before that they were majors, and received majors' pay. They had a certain proportion of first lieutenants in the two Ordnance corps, who received for some years second lieutenants' pay.

799. At what date was that; was it before 1858?—I cannot remember; I know it to have been the case both in England and in India.

800. Lord Cardwell made his proposition to the House of Commons on the 2nd February 1872, did he not?—I believe so.

801. On 15th June the Warrants which were to be submitted to Her Majesty, were forwarded for the consideration of the Secretary of State for India, were they not?—I believe so.

802. And the Warrants were issued on the 5th July?—I presume that is so; I have not the dates before me.

803. Between the 8th February 1872 and the 5th July 1872, did the India Office inform Lord Cardwell that the position of these officers in India would not be recognised as regards their pay and allowances?—I have no doubt that he was warned, as far as I myself could warn him, at those meetings that such probably would be the decision of the Secretary of State in Council; but it could not be decided by them until they had the draft Warrant before them to consider.

804. Then you state positively, that to your knowledge, Lord Cardwell was informed by the India Office that the position of these officers would not be recognised in India, as regards their pay and allowances previous to the 5th July 1873?—I can only state my conviction, from memory, that he was fully aware of the probablity of it. As I have said before, the actual decision of the Council could not be ascertained until they had had the matter before them officially; not until the War Office had sent it over.

805. You were examined before the Committee of 1874 on East India Finance at some length?—Yes.

806. Will you kindly turn to Questions 1180 and 1181; you were asked, "We have had some evidence as to the relations which exist between the War Office and the India Office; it is the custom, in theory, for the War Office to consult the India Office, is it not, upon all alterations which would involve increased expenditure?—*A.* I think I may say that it is in theory, but not always in practice. *Q.* Can you give any instances where the India Office has not been consulted?—*A.* Well, I gave instances the other day, I think, of the increase of pay to the Army, and that particular case of the substitution of the regimental rank of major for that of captain. In most of these cases there are two reasons, probably, why the India Office are not consulted. First of all it is supposed, and, indeed, it has been argued, that whatever may be the order issued by the War Department, the India Office, in matters of finance, can do what they like; that their hands are not bound by anything that the War Office do. That is one argument; and the other is that many of these measures are absolutely necessary, whether the India Office like them or not." If you had had these repeated conversations which have been referred to, and from which you say Lord Cardwell understood what was in your mind, and you suggested yourself, personally, an alternative proposal, can you explain how you came to say that the India Office had never been consulted on the matter?—Because I do not believe that the India Office were consulted until after Mr. Cardwell had explained his proposal in the House of Commons.

807. We have had a letter before us, of the 5th February 1872, from the India Office, requesting an explanation from Lord Cardwell on this matter, and we have Lord Cardwell's reply, which I have just referred to, of the 8th February, in which he says he himself informed the India Office of the matter, and stated that he expected these officers would have fair treatment; that was a fortnight before making his proposition in the House of Commons?—I beg to say that I made a mistake just now in saying that we knew nothing about it till after he had made his speech. I mean that, after he had made up his mind to do it, then, for the first time, we heard it incidentally, but there had been no communication with the India Office; that wa a few days before that speech was made.

808. The letter of the 8th February says, that "Mr. Cardwell gave the Duke of Argyll to understand that the case of majors of Royal Artillery was under consideration?"—That I know nothing about. To the best of my belief, the information upon which that letter to the War Office was written, complaining that we had heard nothing about it, was based upon conversation I had had with the Assistant Military Secretary at the Horse Guards, who, as it were, represents the India Office there, and who was in frequent communication with me.

809. Then we are to understand this, that whereas on the one hand, Lord Cardwell considered that when he had informed the Secretary of State for India the India Office was aware of the fact, according to your view it had not been made aware of the fact, and the India Office had not been consulted?—Not at all; the Council had not been consulted, and that is the India Office, in matters of that kind. Lord Cardwell could have had, strictly speaking, no consultation with the India Office, unless his proposals were laid by the Secretary of State for India before the Council.

810. But that does not alter the fact that Lord Cardwell, as Secretary of State for War, might have informed the Duke of Argyll, as Secretary of State for India?—He might have informed the Duke of Argyll, certainly.

811. We have had the fullest evidence that the measure was a Government measure, and had been fully considered by the Cabinet; the Duke of Argyll, I believe, was a member of that Cabinet, was he not?—Yes.

812. Then we are to gather, that when you stated in reply to the questions that the India Office had not been consulted, you simply referred to this, that the Council and the Secretary of the Military Department of the India Office had not been consulted?—I do not know and cannot say what had passed between Mr. Cardwell

Major Gen. Sir *T. T. Pears*, K.C.B.

20 July 1877.

Major Gen. Sir *T. T. Pears*, K.C.B.

20 July 1877.

Chairman—continued.

well and the Duke of Argyll; I do not consider the fact that Mr. Cardwell had mentioned it in conversation to the Duke of Argyll as tantamount to consulting the Secretary of State for India in Council.

813. But do you not think that from this answer, remaining as it does on a Paliamentary Blue Book, in the evidence given before a Committee of this House, people would naturally conclude that the Secretary of State for India himself had been unaware of the fact?—I do not think that men who are acquainted with the organisation of the department would conclude that.

814. But are there not many people in this country who are not conversant with the management of the departments, and more particularly that of the India Office?—I do not think they would understand that an occasional conversation, not on record, and which they knew nothing about, between one Cabinet Minister and another, amounted to a consultation on the part of one department with the other department.

815. I suppose you know enough of Parliament to know that Parliament look to the Minister in these matters, and that they do not go into what is known, or not known, amongst the officials of the departments?—No, but they must look in the case of India to the Indian Council; that is peculiarly constituted, as you are aware, and the Secretary of State for India is not always master of the situation there.

816. But is he not the only person whom Parliament has to look to?—That is for Parliament to consider.

817. Now the Warrant was so framed that instead of giving, in the usual way, the sum total, it was divided into two items; Lord Cardwell states that that was for the purpose of assisting the Government of India; in what way would this have assisted the Government of India?—To the best of my recollection that was done in consequence of the difficulties which it appeared from the conversations we had at the War Office would arise in regard to the pay of these officers in India. It was pointed out that the Secretary of State for India would probably consider it quite unnecessary to give them the higher pay of a major there, and that it would throw upon him a very invidious task, namely, that of meeting claims which would naturally arise from officers promoted to that rank, and, perhaps, ignorant of the separate responsibilities of the two departments, the War Office and the Indian Department, financially; and after several discussions, I well remember the first I heard, and I may say the last, until the Warrants came out, of that proposal. After we had discussed the alternative of the brevet rank, I may say that I, at one time, came away from the War Office under the conviction that Mr. Cardwell was prepared to concede that point; but General Adye either came to my room, or wrote a note, in which he said that Mr. Cardwell adhered to the resolution of converting all the first captains into majors, but that they had determined to give pay in that form; and it was pointed out that that would in some measure facilitate any arrangement which the Secretary of State for India might wish to make regarding their pay, because, at all events, it would show that there was no necessary connection between the rank of

Chairman—continued.

major of the Artillery and Engineers, and any specific rate of pay, but that each department would lay down what they thought a proper and sufficient remuneration for the rank. That was the only object, as I understand, in it.

818. If the pay of a major was to remain exactly the same as he received as captain, was there any object whatever in making this calculation?—The arrangement was obviously not a very important one to us; it did not smooth away very much, but it showed at least that the determination of the rate of pay rested with the authorities for the time being.

819. I do not doubt that point, but on the 23rd of May 1872, Mr. Cardwell, addressing himself to a perfectly impartial body, namely, the Treasury, thus explains the matter according to his view; this will be found at Question 33 of the evidence that he gave the other day After explaining the importance of the matter, he says: "These majors are, in effect, to have 19 *s.* 6 *d.* a day, if commanding Horse Artillery batteries; and the pay of Infantry majors, if commanding batteries of Foot Artillery; but in order to avoid certain complications, when these officers may serve in India, it is intended to give them pay at 18 *s.* (being the pay of a captain and brigade major) and 14 *s.* 6 *d.* respectively, making up the difference to 19 *s.* 6 *d.* and 16 *s.* by the addition of 1 *s.* 6 *d.* a day as command pay while actually in command of batteries." He refers to this complicated mode of payment. What was this complicated mode of payment for if they were to get nothing?—As I understood it it was merely to show clearly to the officers concerned that they would have a special rate of pay given to them at the discretion of the Secretary of State, each in his own sphere for the time being, and that there was no necessary inevitable connection between an Infantry major's pay and an Artillery major's pay. I did not myself attach much importance to that, but it was done with the best intentions to meet the views of the Secretary of State for India in Council, as it was supposed that they would ultimately appear to be, and therefore it was received in the same spirit; we could not possibly offer an objection to it; it only affected the officers of Artillery at home, and we had nothing to do with that

820. Therefore, as far as the Government of India was concerned, it was practically worthless?—No, not at all; it showed that there was no inevitable connection between the pay of a major of one branch of the service and the pay of a major of another branch of the service; and so far it was justifying any proceeding that the Secretary of State for India might take in the same spirit; he could name what he thought a sufficient pay for a major of Artillery in India, and he did so.

821. I should like to have the matter cleared up; here we have a distinct statement from the War Department, that after a great deal of consideration, they went out of their way to divide the pay of the officers into certain fractional proportions, so as to meet the complicated modes of payment in India: but if the Secretary of State for India decided that there was to be no increase of pay whatever to these men, there was no necessity whatever for this sub-division, as far as the majors were concerned in England; am I right in that?—No; I have endeavoured to explain that it seemed to affirm a principle of some

Chairman—continued.

some importance, which was that an infantry major's pay of 16*s.* a day was not to be considered as a stereotype pay for the majors of all branches of the service; it stamped that as a principle accepted by the Secretary of State for War, that the Secretary of State for India might name any pay that he thought just and convenient for the majors of Artillery. That was the view I took of it, I may say.

822. Then the view you took of it was this, that this division stamped these men, as it were, as not being *bonâ fide* in receipt of majors' pay?—Not at all; I did not draw that conclusion at all; I am merely endeavouring to draw the attention of the Committee to what I believe was the intention of the gentlemen at the War Office. It was done with the best spirit; after we had told them that it would be an invidious duty to throw on the Secretary of State for India to keep these officers on the pay of a captain, they said, "We do not admit your arguments in favour of making them brevet majors, but we will give them regimental majority and arrange their pay so and so." It was their idea, carried out with a view of showing that it was optional with the Secretary of State for India to attach any pay he thought just and proper to majors of Artillery.

823. Therefore it was done with a view that in case the Secretary of State for India wished to improve the position of these men financially, he might have the power of doing so in accordance with that principle?—No; he did not see any necessity at the time for improving their position financially; he thought they were sufficiently well off.

824. On the 18th July 1872, a Despatch was forwarded by the India Office to the Government of India, stating that these officers were to receive neither the pay nor the allowances of their rank, no reference whatever being made to the subject of contracts; that is correct, is it not?—Yes.

825. Would you kindly look at Question 635 of the Evidence before the East India Finance Committee in 1874; you were asked: "In these cases India had to give the increased pay of the rank to all the officers that happened to be in India at that time?" and you said, "Yes, it is expected that we shall; we have not done it yet with the Artillery majors, but I think it likely that, after a time, we shall do so; we had a reason for not doing it at first;" will you kindly state what that reason was?—The reason was that they were considered, under all the circumstances, to be sufficiently well paid for their services in India.

826. If they were sufficiently well paid for their services in India at that time, what was the reason that their pay was increased subsequently?—It was increased subsequently, and the majors' pay was given on the Government of India proposing that they should take the opportunity of withdrawing the contracts from them; and they would have been heavy losers, we considered, if that were done, and it was considered expedient to, at the same time, give them a major's pay.

827. Therefore the reason you had at that time was *bonâ fide*, that these officers had battery contracts?—Yes.

828. Are you not aware that a considerable number of officers in India had no contracts?—I am.

829. Then what was the reason that you had

Chairman—continued.

in view at that time for not giving them any increase?—As it was their battery command allowance was immediately increased, as they were considered to be at a disadvantage compared with the other officers; but it never would have done to increase the pay of a garrison battery captain by giving him major's pay without giving it to the others too.

Major Gen. Sir *T. T. Pears*, K.C.B.

20 July 1877.

830. Therefore, in case the garrison majors had received their major's pay or pay equivalent to that of a major, you think the others would have been fairly entitled to it also?—I think if that were not done it would have been a far more embarrassing case to uphold.

831. It would have been an invidious distinction, would it not?—Yes, I think it would.

832. Is it not a fact that at that time, owing to the mutiny and other causes in India, there were a very large number of these officers already brevet field officers, some of them, in fact, holding very distinguished rank in the army; I mean amongst the captains of the Artillery and Engineers?—I really am not aware; I cannot answer that question. Very probably it was so.

833. I will take one in your own branch of the service, Colonel Prendergast; was he not a brevet lieutenant colonel?—I believe his is quite an exceptional case; I believe he is now very lately a brevet colonel, and he was a brevet lieutenant colonel when he was a regimental captain.

834. And I think he commanded a force of Sappers rather larger than most battalions of infantry?—I do not remember.

835. I will put it to you, is it not a fact that a very large proportion of these officers held brevet rank in consequence of services in the field, a vast number of them having served in the Crimea, the Persian war, the Mutiny, the Abyssinian war, the China war, and even in New Zealand?—I am quite aware that a large number of the officers of Artillery, certainly, and some of the Engineers have received brevet rank for distinguished service in the field; but whether at the time we are now speaking of they were still in the rank of regimental captain, I cannot say; I should think not.

836. I am speaking of officers holding the rank of captain previous to the 5th July 1872?—I cannot say how many remained with their brevet rank; the probability is that many would have been among the lieutenant colonels.

837. Were there not also many who, according to the rules of service in India, held the local rank of majors?—I do not think many did. I do not know, but I have been struck generally with the apparent paucity of the number of promotions under that brevet rule.

838. Would you be surprised if you were told that something like two-thirds of the officers of the Artillery in India had brevet rank?—Yes, I should be, if you allude to the captains.

839. As you offered on the part of the India Office the addition of brevet rank which was not accepted by the War Office, and if the officers were considered sufficiently rewarded by promotion to the rank of major, do you not think it would have been well if the India Office had considered that point, whether a large number of men did not already hold that brevet rank?—I was considering then the abstract question of the necessity in order to meet certain supposed disadvantages which the Artillery and Engineers

Major Gen. Sir *T. T. Pears*, K.C.B.

20 July 1877.

Chairman—continued.

were labouring under with reference to the line, of giving them regimental rank and as a permanent rule, not with reference to the existing number of brevet majors that there might have been; I confess I did not look at that.

840. You say it would have been an invidious thing if those having contracts had not received major's pay at the same time as you gave it to the officers commanding garrison batteries; was it not also equally invidious when they were quartered and stationed with majors of the line, and not getting the same pay?—I do not think so. We have had an example for many years of a lieutenant colonel upon major's pay serving with lieutenant colonels of the line everywhere.

841. From the year 1858?—From the year 1858 in India; but in the British Army from the year 1827.

842. You are aware that the reason why that was the case in India was because it was always so in England?—I am not aware that that is so at all; it is very likely that they followed the example of the British Government, but they could act independently if they thought proper.

843. Will you kindly refer to the evidence given by Lord Salisbury before the East India Finance Committee just previous to Question 2129. Now it it is said, is it not, that a Royal Warrant bearing the signature of a Secretary of State for War does not run in India?—Yes.

844. Is that practically so?—Quite so.

845. Lord Salisbury, on being asked that question, gives this description of it. "In 1863, I think it was, at the instance of Sir Charles Wood, it was agreed that all Royal Warrants should be immediately communicated from the War Office, and that was acted upon for some time; but when great changes in the *personnel* of the War Office took place, two or three years ago, that rule was entirely forgotten, and I believe that they never send Royal Warrants now. That shows how difficult it is to make a merely departmental rule permanent in its action, it is apt to depend upon the memory of the officials;" do you remember that?—Yes.

846. Then at 2129 Lord Salisbury gives this evidence: "(*Q.*) You said that of late years Royal Warrants have not been sent to the India Office?—(*A.*) So I am informed. (*Q.*) You do not state it unreservedly and without qualification, I suppose?—(*A.*) No; what I mean is that the uniform sending of them has been abandoned. I am of course speaking from the information of others, because this lies outside the range of my own experience, but up to within two or three years they were uniformly sent, and then I think the practice got more lax, and I believe it is not now looked upon as a necessary rule to send them to the India Office. (*Q.*) They were sent in draft, of course, before being issued?—(*A.*) Before being issued. (*Q.*) Not merely after issue, for the information of the India Office, but before issue, in order that the India Office might make any observations?—(*A.*) Yes. (*Q.*) The Royal Warrants do not run in India, do they?—(*A.*) They affect the soldiers in India. (*Q.*) A Royal Warrant, affecting the pay of the soldier in this country, does not apply to the soldiers in India, does it?—(*A.*) No; but of course we have to alter accordingly. (*Q.*) It may be so.—(*A.*) Yes, of course, it may be so; but it very often does happen so." Again, he is asked by the Under

Chairman—continued.

Secretary of State for India, at Question 2146: "About two years ago, I think, Lord Cardwell issued what is termed free rations to the soldier in England?—(*A.*) Yes. (*Q.*) Of course that would not apply directly to the soldier in India, but I believe the Indian Government have considered it necessary in consequence to increase the pay of the Indian soldier?—(*A.*) That is so; the Indian Government must practically give to the Indian soldier a corresponding privilege to every privilege granted to him here, and usually a little more." Now is it not a fact that all Royal Warrants affecting the improvement of the position of the non-commissioned officers and men have ever been recognised in India from the date of the issue of the Warrant in England?—No, I believe not.

847. This (*handing a Return to the Witness*) is a letter moved for by the Secretary at War in 1841 with reference to the question of the settlements of pay with regard to British troops in India; and there is there a letter from the then President of the Board of Control, Sir John Hobhouse, to the General Commander in Chief, dated the 17th March 1840, in which he says: "My Lord,—When the subject of the mode of paying the non-commissioned officers and soldiers of Her Majesty's Army serving in the East Indies was last under discussion between your Lordship and this Board, we had the satisfaction to receive your Lordship's opinion in a letter from Lord Fitzroy Somerset to Mr. Gordon, dated the 25th April 1835, that the method pursued from the year 1797 by the East India Company in paying those troops was in conformity with the Royal Warrants." Are you aware of another Royal Warrant affecting non-commissioned officers or soldiers between that year and the year 1867, which was not recognised in India?—I do not think there is any doubt that we could find many.

848. But are you aware, personally, of any?—No, I am not aware of any at this moment.

849. The Warrant of 1867, giving the increase of 2 *d.* a day to the soldier, was not formally communicated to the India Office?—I believe it was not till it was determined upon.

850. If you will refer to Question 716 of your evidence in 1874, I think you will find those are your own words?—I dare say they are.

851. And yet it was recognised in India, although causing a charge on the revenues of India of 250,000 *l.*?—I think there is a difference between recognising a Warrant in India, and the Government, after due deliberation, determining upon acting on it.

852. I do not ask as to whether these Warrants run in India; I mean, whether practically, they have not always been recognised?—No, they have not. In this particular case, as you are on that subject, I could explain why that was carried out, if you wish me to do so.

853. I think we remember the way in which it was brought in in the House; that it necessarily followed?—No; the fact is that the reason that Warrants were not necessarily introduced, and their conditions adapted for the soldier in India before was, that the soldier in India was always in a better position than the soldier in England, or than he would be placed in by the adoption of any of these Warrants. Latterly, however, from the change of the condition of the soldier here, the pay of the soldier in England would have

Chairman—continued.

have become actually better at the rate of exchange of the day than it was in India. It was quite a new state of things; and therefore, it was at once seen that it was desirable and just to make an addition to the soldier's pay, which, unlike the case of the officers, only brings that pay up in India to just about an equality with the pay in England in the case of non-commissioned officers and soldiers. That was why these Warrants were acted upon, and introduced.

854. Still, in your evidence, you state, that it caused a charge on the revenues of India of 250,000 *l.*?—Yes.

855. The Warrant of 1873, consolidating the stoppage with the pay of the soldier, to make a net pay, and thereby, in many cases improving the pay of the infantry soldier by 1½ *d.* a day was also not formally communicated to the India Office, I think?—I think very probably not, at least not before it was declared in Parliament.

856. And yet it was recognised in India. Now take the Warrant of the 1st of April 1876, regarding deferred pay of 2 *d.* a day to the soldier; I think that also has been recognised from the date of the Warrant?—It has been adopted and published in India.

857. There is a memorandum (I do not know whether you are acquainted with it) which went through your office from the Controller General in India, which is to be found in Military Expenditure, East India, 1871, at page 111; and one reason which he gives respecting the increase of the cost in India is, to use his own words, that "These Warrants as well as others affecting increased issue of clothing, &c. &c. were, on reaching India, at once made applicable to that country, with retrospective effect;" is that correct?—I dare say it is. The orders from this country, in all ordinary cases of Warrants, to the Government of India have been, that they should, in the exercise of their discretion, make all such Warrants as they thought necessary applicable to India; but there are many regarding individual pay, and classes of pay that they do not consider it necessary to make applicable in consideration of the liberal pay they already get in India, and therefore the Warrants are not made applicable.

858. But do you know of any Warrant which improve the position of the soldier financially which has not been recognised in India?—I have not at this moment got them at my finger's end, but I have no doubt that by reference such could be found.

859. Would you put in such a Return?—No doubt the Under Secretary would be able to procure it.

860. Then you do not quite agree with Lord Salisbury when he stated that "the Indian Government must practically give to the British soldier a corresponding privilege to every privilege granted to him here, and usually a little more"?—Yes, that has been the practice hitherto. As I said before, the fact is that the soldier in India was till lately so much better paid than in England, that there was no necessity of considering any of the Royal Warrants issued here for the improvement of his position. Lately circumstances have changed; and of course, a man must get at least as much pay in India as here.

861. Now passing from non-commissioned officers and men, and coming to officers, is it not the fact that Royal Warrants regulating British

Chairman—continued.

Major Gen. Sir *T. T. Pears*, K.C.B.

20 July 1877.

pay have always excluded India from their operation?—They are always understood to do so, but there has been some oversight, some irregularity in the practice of the War Office in the mere wording of the Warrants. They have in some cases introduced the words "exclusive of India," but not in all; but it is quite understood that in all financial matters a Royal Warrant has no force whatever in India, unless the Government of India chooses to adopt it.

862. Does not the Warrant regulating the pay of the Army, as far back as I can find it, contain these words: "This, our Warrant, shall be in force within Great Britain and Ireland, and the islands thereof; and shall be in force in all other parts of our Dominions and elsewhere beyond the seas, except in our Indian Empire, from and after the receipt and promulgation thereof in General Orders"?—Yes.

863. It always has excluded India?—I presume it has, but I can only repeat what I said just now; they have not been so particular as they might have been in introducing those words always, but it is the right thing to do.

864. The Warrant of 1872 was simply an amendment of the consolidated Royal Pay Warrant of 1870, and it contains these words: "Whereas we think it expedient in certain respects to amend the regulations concerning the pay and promotion, and non-effective pay of officers of our Royal Artillery; our will and pleasure is that the following Articles of our Warrant of 27th December 1870, be cancelled, in so far as they relate to the Artillery. Article 34; so much of Article 175 as relates to the pay of lieutenant colonel, captain, and second captain; Articles 978 and 979, likewise Article 97, as amended by a Warrant of 31st May 1871." Therefore, practically, India was still excluded as regards this question of the British pay in that Warrant?—Yes.

865. Now, has not the rate of officers' pay in India ever been higher than British pay?—Always, I think.

866. The pay in India has to cover numerous expenses which in England are defrayed by the State, such as quarters, fuel, servants, travelling expenses, carriage of baggage, field allowance, &c.; is it not so?—Yes. I am not aware of the exact particulars for which they receive special allowances in England, but no doubt that is the case.

867. Are you aware that this matter was gone into rather extensively by a Committee of this House in 1860, which sat on the Organisation of the War Department, and in which came forward the great question as to the financial settlements between the War Department and the Indian Office?—I do not remember that.

868. It was a rather remarkable Committee, presided over by Sir James Graham, and on it were, amongst others, Lord Herbert, General Peel, and Mr. Walpole; and it was considered as the report of a very important body of men. If you will kindly look to Question 4794, you will see that the Chairman, ———, in examining an officer of the Treasury, says, "You say that the Indian troops now employed in China are paid out of the Commissariat Chest?—(*A.*) Yes. (*Q.*) You say that the rate of pay is the Indian, which is greater than the British rate of pay?—(*A.*) Yes, as regards the officers it is;" and then at Question 4894, "Are the officers of the British Army now serving in China paid out of the Commissariat

Major Gen. Sir *T. T. Pears*, K.C.B.

20 July 1877.

Chairman—continued.

missariat Chest at Hong Kong, equally with the officers of Native troops sent from India, and serving in China on the Indian scale?—(*A.*) Yes. (*Q.*) Has Parliament as yet voted any money for that purpose?—(*A.*) Nothing beyond the 850,000 *l.* already mentioned; it has been considered as one of the extra expenses of the war." Then at Question 4897, "But the Queen's troops were on Indian allowances, though out of India, and that remains a question to be settled with the Commissariat Chest?—(*A.*) Yes. (General *Peel.*) But the Queen's troops in China were not on Indian pay and allowances till the arrival of those Indian troops?—(*A.*) No; only when they were brigaded with Native troops;" and if you turn to the Report at page 15 you will find that the Committee reported to the House as follows:—"The attention of the House must also be specially directed to the fact that Native troops having been sent from India to China on this last expedition, the whole British Army in China is now on the Indian scale of allowances. This scale is higher than British pay." Now, does it not strike you, that the reason why the Indian Empire has always been excluded from the Royal Warrants regulating the pay of British officers in other parts of the world, is the fact of the pay there being so much higher, and based on different principles?—No, I do not take that view; I take the reason to be, that the finances of India are managed under a different authority altogether, and that the people of England take no responsibility upon themselves for them.

869. Is it not the fact that the pay of British officers in India was always settled between the Board of Directors and the Secretary at War through the Board of Control?—I do not think so, but I cannot answer confidently. I never heard of such a thing. The Board of Control would have had something to say to it, but not the Secretary for War, I think.

870. We have had it stated to us, and it has been stated in the House too, that the rate of pay in India is so much larger than the rate of pay in England, and that an officer has so many advantages from this fact, that on his being made a major, there is no necessity for giving him an increase beyond a captain's pay; a captain's pay in India being larger than that in England. Now has your attention been called to a letter which was put in, contained in the Return of Artillery Officers' Memorials from the Secretary to the Government of India, Military Department, addressed to the Adjutant General, and dated the 19th of January, 1875, page 34, section 3, in which he states as follows: "It is true that as regards pay only, the relative proportion of command money to pay of rank is less than in England; but on the other hand the pay in India represents the total advantages received by the officer, and out of this he has to provide his own quarters, fuel and lights, his tents, carriage, and followers, and has often to travel long distances at his own expense. The major of Artillery in England receives free quarters, fuel, and light, has no camp equipage to keep up, rarely moves on duty save at the public expense, and is allowed soldier servants, to whom only a moderate extra remuneration is given. He has also, it is believed, certain advantages in the way of reduced cost for forage. When all these advantages are taken into consideration, his Excellency in Council thinks that

Chairman—continued.

the disproportion between command money and pay of rank in India, as compared with the practice in England, will be found no longer to exist, or, at any rate, to have much diminished." Now does it not appear that the Governor General of India, with his Council, considered that after the settlement of the case of these officers had been made on the full majors' pay, they were then no better off in reality in India than what their brother officers were in England on English officers' pay?—I do not understand that passage to mean that. They were discussing simply the rate of command money that they should allow to the commander of a battery of Artillery, as distinct from the pay; and the Commander in Chief and the Government, I think, rather unnecessarily introduced the proportion between these two elements which existed in England; and, therefore, all that argument was as to fixing the proportion, whether it should be 70 rupees a month or 50 rupees a month to the officer in command of a battery. I think that was the subject they had under consideration, and the Commander in Chief in India tried to carry out literally the proportion existing in England, 14 *s.* 6 *d* to 1 *s.* 6 *d.*, that is to say, 29 to 3, and he fixed upon the sum of 70 rupees as command money, because it bore that proportion.

871. Now the Government of India actually gave it in favour of the commanding officer, deducting less as his command money, because he was then no better off in India than what he was in England?—I did not read it as showing that he was no better off; but that, if they were to go upon proportion, the ratio that existed between one and the other, they must take into consideration that in India the officer had to provide himself with all these things. They did not say that an officer on 700 rupees a month is no better off than in England; but that the proportion between the pay and the command allowance ought to be altered a little, because the pay in England is supplemented by certain barrack and other allowances; but there is no evidence there of their believing that an officer is not a great deal better off in India than in England.

872. But it was altered in favour of the officers?—Yes, they were seeking to establish (quite unnecessarily, I think) the same ratio between the two elements as had been adopted in this country.

873. You state that you do not think that the pay of the British officers in India was settled with any reference to the authorities in England. That (*handing a paper to the Witness*) is a letter from Lord Hill to the President of the Board of Control, in which he states, as follows: "The regulations which govern the promotion of officers in both services in India have been framed, from time to time, under the joint consideration of the Court of Directors and the Commander in Chief for the time being; and, although it has not been practicable to prevent the occurrence of some cases of individual hardship, yet every such case has been rectified, as it might best be, when duly brought forward, without any material departure from the general principles under which the promotion in both services has hitherto been governed. There cannot be any doubt, and in every discussion upon this point it has been fully admitted, that the King's troops employed in India are an auxiliary force; but it is equally true

Chairman—continued.

true that is the duty of the officer entrusted with the command of the King's forces to take care that, whatever arrangement may be made for the advancement and advantage of the Company's officers, the fair claims of the officers of the King's Army are equally considered, in a just participation of all matters regarding military rank, pay, and allowances, whether in garrison or in the field." That is the statement in that letter, is it not?—Yes.

874. If it were important as regards Her Majesty's British troops and the officers of the East India Company, is it not still more important as regards the officers of the different branches of Her Majesty's Army?—I think that is a matter for the military authorities themselves to decide how far the officers of the various branches of the service are to be paid alike on all occasions; and it is perfectly within the province of the military authorities if they see any, as they consider, glaring case of hardship in India to bring it to notice, as Lord Hill did, if there was any in that case, as I suppose there was.

875. Is it not also the fact that the Government of India always did view with great jealously, I mean jealously not in a bad sense, but in its purer form, any departure from the principle that the whole of the troops there should be put on the most equitable footing on which they could be?—I presume so.

876. You know nothing to the contrary during your long service in India?—No.

877. You referred some time back to the lieutenant colonels of Artillery in India getting major's pay; you were in India at the time, were you not, when the Indian Artillery and the Indian Engineers were assimilated with the Royal Artillery serving in India?—In 1858 you mean; I was.

878. What was the reason of that. You had majors in the Indian Artillery, and there were none then in England, since the year 1827?—Yes.

879. You had no second captains in India, and there were in the English Artillery and in the Engineers; and in India they did away with the rank of majors, promoting such majors as were receiving major's pay to be lieutenant colonels on major's pay, and they promoted a large number of subalterns to be second captains, did they not?—I do not remember when the second captain's grade was introduced, but no doubt you are right. I remember about the majors and the lieutenant colonels.

880. Was not the object of that to place the troops of the East India Company on a footing as favourable as that of the British troops?—I believe the object to have been to prevent the old officers of a certain standing in the Indian Artillery and Engineers being superseded in the rank by their brethren of the same services coming from England; lieutenant colonels here who would have been majors there.

881. And they also promoted this large number to the second captains, then?—In the same way.

882. One hundred and forty-four in the Artillery and 66 in the Engineers, I think?—I do not remember the exact numbers.

883. Was not that done with a view that there should be the fullest equality between the two services?—I have always understood that it was done to prevent supercession.

Chairman—continued.

884. I have a letter here before me from the Secretary to the East India Company to the Secretary of the Indian Board, dated the 22nd of June 1858, in which the Court of Directors, having submitted the matter to Lord Ellenborough, then the President of the Board of Control, thank him for the assistance he has given in doing this, and quote his reply: "I understand the object of the Court to be, that of assimilating the position of officers of those corps in Her Majesty's and the Company's service; and feeling satisfied that it is only by perfect fairness and equality that the two armies can be brought to act well together, and assuming that the alterations proposed by the Court will establish that equality, I can have no hesitation in declaring my entire concurrence in them." Now, at that time, is it not the fact that when they promoted these majors to be lieutenant colonels retaining their major's pay, they were following the rule in force in England when the junior lieutenant colonel of Artillery and Engineers were on major's pay?—No doubt they were; and I believe the object of that promotion had no reference to pay, because it gave no increase of pay, but it had reference simply to rank.

885. Therefore that there was no difference between a lieutenant colonel on major's pay in England and a lieutenant colonel on major's pay in India?—No difference whatever in principle.

886. The rates of pay are the same now, are they not, as they were for British troops in India?—Yes.

887. Can you state when those rates were fixed?—No; they are rather more favourable in one respect now, inasmuch as until within the last few years all the British troops within 200 miles of presidency towns were on half battas, but they have been now placed on full batta. When the rate of pay was fixed on its present scale, I cannot remember.

888. Is it not as old as the year 1796?—I should think there have been some alterations in the Indian allowances since then, but I cannot say.

889. Are you aware of any case in which a British officer in India being promoted to a higher rank has not received the pay equivalent to that rank as fixed in those rates of pay?—I am aware of the cases I have mentioned, and I am aware also that certain pay given to brevet rank in this country is disallowed in India under the operation of their own rules there; there is certain pay given to brevet rank under the War Office Warrants which does not hold good in India.

890. Is not it made up in the whole?—No doubt the aggregate pay of the officers there is much superior to what it is here.

891. I mean the pay of each rank is an aggregate pay made up of many details, and whether the officer receives more or less of British pay, he is only entitled to the aggregate amount of the pay in India?—Yes; then here they give him, in addition to regimental pay, special brevet pay, which is not given in India, but is refused.

892. Because in India you have an aggregate amount fixed for each rank?—So you have here.

893. What is the aggregate amount fixed here?—For an infantry major 16 *s.* a-day.

894. Have

Major Gen. Sir *T. T. Pears*, K.C.B.

20 July 1877.

Chairman—continued.

894. Have they not got in addition servants, fuel, travelling allowances, and all those things?—I do not remember what those allowances are; they are not considered pay. They have travelling allowances too in India, I think, in addition to their pay; they have free passes for travelling when on duty besides their pay.

895. It has been stated that a British officer in India is only legally entitled to his British pay, but that the Indian allowances are at the discretion of the Government of India; can you explain to us how we are to understand that?—I do not myself understand what is exactly meant by a legal claim to the pay. I do not understand it to be based upon any Act of Parliament, as to either the soldiers' or officers' pay; it is based upon a Warrant.

896. No British officer is entitled legally, I think, to claim either pay or pension?—I believe not.

897. Now let me draw your attention to a reply made by Mr. Grant Duff, when Under Secretary of State for India, on this subject; he said, in reply to Sir David Wedderburn, on the 11th August 1871, "The pay per rupee of a British officer serving in India, has been ever since the beginning of this century computed at the rate of 2 *s.* 6 *d.*, which was the value of the sicca rupee then current; though now-a-days that seems an unfair arrangement, it is not usually so, because a British officer in every case receives, by the addition of allowances, at least as much as, if not more, than an Indian officer of the same rank used to receive"; that is correct, is it not?—Yes, I believe so.

898. Therefore we cannot very well separate, I think, in the rate of pay in India, the British pay and the Indian allowance?—No; it is done necessarily sometimes, but it is not as an officer serving in India.

899. The two together are one?—Yes.

900. Now also, some remarks have been made with reference to the command pay of these Artillery majors, as though it were no part of their actual pay, in addition to the 14 *s.* 6 *d.*; what is understood at the India Office by the words "command" pay in this case?—We do not understand what the War Office understand by their command pay at home; we have got what we call a command allowance in India for batteries and companies, but we do not pretend to interpret the War Office Warrants regarding their own command pay; but I believe it is shown in the terms of the Warrant. An officer gets 1 *s.* 6 *d.* a day if in actual command of his battery, and if not he loses it.

901. But whilst in command of his battery the 14 *s.* 6 *d.* and 1 *s.* 6 *d.* is *bonâ fide* his pay of 16 *s.*?—Yes, so long as he is in command.

902. I have asked the question, because there is what is commonly called command pay in England, "granted to cover the expenses of hospitality within a given command, and taxable on the profit only"; I am quoting from the Income Duty Regulations, published by the War Office on the 1st of May in this year, and they draw this difference between the two: "The sum of 3 *s.* a day granted to an officer commanding a regiment of cavalry or a battalion of infantry is held to be wholly thus expended, and may, therefore, be issued free of income duty"; it is not a part of his pay as an officer, but "the command

Chairman—continued.

pay of 1 *s.* 6 *d.* a day, granted to a major actually commanding a battery of artillery, is wholly liable to income duty," that is to say, 16 *s.* per diem is the *bonâ fide* pay?—That seems to be the opinion of the Income Tax Commissioners, is it not?

903. But being the opinion of the Income Tax Commissioners, is it the opinion of the India Office?—I should say not; it is not my opinion, because you cannot call it a man's pay if it is to be withdrawn from him when he ceases to hold the command; and when he retires on full pay, I understand that he does not get more than 14 *s.* 6 *d.*

904. That is his pay whilst in command of a battery?—He receives that; it is not his pay in the ordinary sense of the term command pay; at least, I have not considered it so.

905. Therefore the India Office differs in its interpretation from the Income Tax Commissioners?—I should think they would; I do not know whether they have seen the Income Tax Commissioners' opinions; I am speaking merely of my own opinions; the Income Tax Commissioners' opinions are not always clear to understand.

906. Let me now direct your attention to Nos. 634 and 800, of your evidence in the Committee on East India Finance; you state there: "Then there are questions of organisation which sometimes arise, and they are very embarrassing and troublesome ones; I may instance that of the promotion of all captains of Artillery and Engineers some time ago to be majors; we are almost helpless in a case of that kind. The Secretary of State for India, I presume, would not venture to offer his opinion upon questions of that nature as purely questions of military discipline and organisation, but all he can do is to bring to the notice of the Secretary of State for War that any measure of that kind, though it may cost him in the Imperial Exchequer very little, may cost us in India a very great deal. That was the case on that occasion of the captains being all made majors, and also in the recent re-organisation of the Medical Department; our scale of paying in India being so much higher than the scale here, the difference to us from any such measure is very much larger than to England." Again, at No. 800, you are asked, "Without consultation with the Viceroy and the Government of India, extra charges are imposed on India, even though India may not consider, *quoad* India, that these charges are beneficial;" and your answer is: "I should be sorry to answer that affirmatively, because in all these cases they are charges that have arisen out of what the War Office and the Horse Guards consider to be necessary charges, and we are not in a position to dispute the necessity of such charges in the British military system. In the case I refer to, the War Office and the Horse Guards said, after deliberation, 'We will convert all our first captains of Artillery and Engineers into majors.' We cannot say 'that is a very imprudent arrangement;' all we can say is, 'it will cost us so many thousand pounds, and we hope that you will avoid it if you can.'" Now are you still of that opinion?—Yes, I am still of opinion that we cannot interfere officially with the military organisation of the British Army.

907. Lord Salisbury being asked a similar question

Chairman—continued.

question says this; he is asked, "Your Lordship is aware that a very important change was lately made in the army, by which the first captains of Artillery and Engineers were made into majors?—(*A.*) Yes. (*Q.*) And that whilst the increase in the cost to England on account of that promotion was very slight, the increased cost to India has been very considerable?—(*A.*) Yes, that is so; I do not know whether we can fairly charge that on the Imperial Government; it was an inevitable result"; do you agree with that?—At that time I think there had been no increased cost to India; I do not understand that evidence.

908. Will you refer to Nos. 2217 and 2218 of Lord Salisbury's evidence?—I do not think that at the time that evidence was given there had been any increased cost to India, and I do not understand that evidence therefore.

Mr. *Arthur Mills.*

909. We have heard of personal communications held in 1872 between Lord Cardwell and the Duke of Argyll. Am I correct in supposing that, until a matter relating to finance has been dealt with formally by the Secretary of State for India in Council, it is not presumed to have been dealt with officially?—Quite so.

910. And that the Secretary of State for India cannot deal with any matter relating to finance, however small, irrespective of his Council?—He cannot.

911. With reference to these contract allowances, we have had conflicting evidence here as to the pecuniary advantages arising to officers in India from these contract allowances; from your knowledge and experience should you say that they are generally a source of gain to the officers?—Most decidedly, I should say, but I must guard myself by saying that, not myself belonging to that branch of the service, I have no personal experience, but that has been my impression through my many years' service in India, and having been frequently on intimate and friendly terms with officers of Artillery.

912. Should you concur in the language of the paragraph which I am just going to read, quoting from the War Office letter to the India Office, dated the 8th of February 1872, to which reference has already been made, the following words: "Mr. Cardwell believes that the contract allowances of captains of mounted batteries are so beneficial in a pecuniary sense to the holders, being much in excess of what is required for the efficient maintenance of the batteries, as practically to make the emoluments of the Field Artillery captain greater than those of a major of the Line." Do you concur in that, so far as your experience goes?—My impression at the time that was written was quite in accordance Mr. Cardwell's; but from what I hear lately I should say it is very doubtful whether they were so great as he there puts it; but we had no means, neither had the Government of India, of ascertaining precisely what they were; they evidently thought at first that they were in excess of the difference between the two grades of pay, but after some more knowledge on the subject they thought they were not so much. My belief at this moment is that they were not more, and perhaps a trifle less than the difference in the pay of the two grades, but I have no certain knowledge on the subject.

913. It has been stated before us that in some cases, for instance in time of war, when there were long marches, the contracts were then the reverse of beneficial; what would you say as to that?—No doubt there would be then a great strain on an officer's contract resources, if I may so call them, and so there would be on an officer's pay. If an officer goes into the field his pocket suffers very materially with respect to his ordinary pay; and *à fortiori* it would be so as to the contract allowances.

Mr. *Arthur Mills*—continued.

914. But speaking generally, so far as your knowledge goes, they were a considerable source of profit?—No doubt of it whatever, I should say.

Sir *George Balfour.*

915. To continue the question on the contract allowances, you are aware that when the Royal Artillery went to India some officers did not receive the money allowances from Government to supply their batteries?—I am not aware of that.

916. You are not aware that in the case of some batteries they were allowed to charge, in contingent bills, for the expenses incurred?—I am not aware of that.

917. Are you aware that there was a strong objection in the minds of many officers of the Royal Artillery about these contract allowances?—I am aware that there were some objections in the minds of some officers; I am not prepared to say many.

918. But still you were aware that there were objections to the system?—Yes.

919. Are you aware that Sir John Adye made very strong objections from the very first day he landed in India on the subject of these contract allowances?—I am aware that he did.

920. And published a pamphlet in connection therewith?—I am not aware of that.

921. Are you aware that heavy field batteries were formed in India?—Yes.

922. That they were a novel kind of batteries established in India?—Yes.

923. That these batteries were not allowed any contract allowances?—That is so.

924. You are aware of a committee formed at Meerut over which Sir George Barker presided?—I am.

925. These proceedings were brought under the notice of the Government at home, were they not?—They were.

926. You are aware that that committee strongly advised that the contract allowances should be abolished for all Indian Artillery?—I am not aware of that; if it is so I must have forgotten it.

927. You are aware that these proceedings were sent home in great detail by the Government of India in 1861?—Yes.

928. You are aware that they came before the Secretary of State in 1862?—Yes, they did.

929. You are aware that orders were sent from the India Office connected with the formation of the artillery batteries?—Yes.

930. That Despatches went out from the India Office about these batteries?—I believe they did.

931. You were aware that the Secretary of State distinctly ordered that the contract allowances should be given to the batteries?—I believe so.

932. You are aware, therefore, that the Secretary of State voluntarily, and of his own accord, after seeing the recommendation of that committee

Major Gen. Sir *T. T. Pears*, K.C.B.

20 July 1877.

Sir *George Balfour*—continued.

mittee not to allow contract allowances to exist, did order them to be established?—I presume that he did, but I cannot at this moment say that I am aware of all these things, because it is so many years ago, and I have not looked into that; but my impression is, that if they did it (which they no doubt did), it was on the recommendation of the Government of India.

933. Do you think if we had the Despatches from the India Office containing the orders of the Secretary of State, we should find all these things set forth?—No doubt.

934. Do you remember any expression of opinion by Lord Canning, that the Government could not possibly carry on the duties of repairs connected with these batteries with the same degree of economy that the officers could do it with the money allowances given them by Government?—I do not remember that.

935. Then if we require this information we must go to the India Office for it?—I should think so.

936. Are you aware whether at the present moment the Government are able to carry on these duties with as much economy as they did when these money allowances were given?—I should think it very donbtful.

937. Then, so far as that doubt is now entertained by you, you consider that the officers who performed the duties must have done their duty well to the State, in being able to perform those duties which the Government required for the batteries within the money allowances given by the Government?—Certainly; I am of opinion that the contract system on that ground and others was a good one.

938. And that the Government of India habitually, or, very generally, in many other instances, have also given money allowances to officers to perform the duties?—I daresay; I cannot think of any at this moment.

939. You remember the allowances for the saddlery and the harness of the Madras Army?—Yes.

940. You were a member of the Military Board which administered that at the time?—Yes.

941. And, on the whole, these money allowances, in the form in which you gave them, were exceedingly well conducted?—I know nothing to the contrary.

942. But you do not remember that during that time we had any occasion at all to find fault?—I do not remember that we had.

943. The system also was extended in giving officers money allowances for tentage and house-rent?—That used to be the system, but for some years past that has been merged in one consolidated pay.

944. And the pay and allowances which are now given are very much the same as they were, though you have admitted that some changes have taken place; the total sum which an officer receives in any rank is very much what it was at the beginning of this century?—It has been ever since I can remember; about 50 years.

945. You do not remember hearing of many changes prior to your entering the service?—No, I do not.

946. Now, you spoke with regard to the pay of an officer of Her Majesty's service going out to India; that officer received the same number

Sir *George Balfour*—continued.

of rupees that an officer of a corresponding rank in the same branch received, did he not; that is to say, a captain of infantry of the line received the same pay and allowances as a captain of the native infantry did?—Yes.

947. You are aware that lieutenants of the line, after seven years' service, did receive an extra amount of pay?—They did at one time; but how long that regulation held I do not know.

948. You do not remember any lieutenant of the line of more than seven years' service receiving more pay than a lieutenant of native infantry?—I do not remember that.

949. You stated, however, that the brevet pay given to a brevet major was deducted from him in India?—It was not given him in India.

950. But I understood you to say that it was stopped from his pay?—No, I did not intend to say that; I said simply that the Warrant granting him the pay in this country was not allowed to operate in India, and he received no more than a captain in India who had not got that brevet rank of major.

951. But you are aware that he did receive actually his brevet pay; that is to say, that the English pay that he was entitled to as a brevet major was actually drawn for him?—I think that is stating it not quite in a clear light. What I mean to say is this; there were two captains of the British Army in India, probably in the same regiment; one was a regimental captain simply, and the other was a captain and a brevet major; the latter, in this country, was allowed under the War Office Warrant a certain additional pay on the ground of his brevet majority, but the two men serving together in India would get precisely the same captain's pay; the major would get no such allowance.

952. But I am pressing you on the point of the English pay he was entitled to; that pay was actually drawn in English money, and it was converted into rupees at the exchange fixed, and that amount of pay which he was entitled to by a Warrant in England was actually drawn for him, was it not?—On the principle that the greater always comprehends the less; if, for instance, he receives 500 *l.* a year in the one country, and 250 *l.* a year in the other, the 500 *l.* comprehends the 250 *l.*

953. But the stoppage was not made from the pay he was entitled to by Warrant, but from the Indian allowances which the Government of India thought fit to give their officers?—I do not understand that there was any stoppage at all; he simply did not get that.

954. The extra sum which he would have got if his English pay had been given in rupees was withheld from the allowances?—I must decline to admit that; I would rather put it perfectly plainly that he received the consolidated sum of Indian pay as a captain, and though a brevet major, he receive no more.

955. May I ask whether you have ever known of any officer of the English Army coming out to India, or of any man of any rank of the English Army ever having his pay withheld from him, or being paid less than what the corresponding rank in the Indian Army received?—If you mean in the corresponding branch of the Indian Army, no.

956. The custom of India has been that the Government of India saw fit to exercise their sovereign discretion in fixing the pay and allowances

Sir *George Balfour*--continued.

ances of their army, and they extended these advantages to the officers of the Queen's Army sent to India to do duty there?—Quite so.

957. And that was the standard by which they regulated their own affairs?—Yes.

958. And considering that these pay and allowances of both the officers and men, as you stated, were greater than what any officer or man in the Queen's Army received at home, it necessarily followed that the Warrants that were issued in England need not have been put in force in India?—In saying that it necessarily followed, it would look as if it were a consequence of that; but it is not so. The reason of the Warrants not applying to India was, that the authority here issuing those Warrants had no control or responsibility connected with the expenditure of money in India; it was not merely because the pay in India was higher than it was here; that would have been a very good reason for the authorities in India to adopt for their proceedings; but the cause of the Warrants not operating in India is, that the War Office Secretary, who issued those Warrants, had no authority or control connected with the Indian revenue.

959. But, practically speaking, wherever a serious difference arose, the custom of the Indian Government was to take care to remove those differences by making regulations of their own?—I do not know quite what "differences" are alluded to. I am prepared to admit that the regulations connected with the pay of the officers and men in India were regulations of their own; and of course they would be guided in framing those regulations by a sense of what was due to the officers and soldiers serving in India.

960. The veterinary surgeons of the English Army were in existence in India before the Government of India saw fit to appoint veterinary surgeons, were they not?—I daresay they were.

961. Seeing that they had no corresponding rank in the Indian Army for that, they did fix the pay and allowances for these officers mainly on the ground and the basis of what the Royal Warrant in England gave them?—I have no recollection of that.

962. You remember that in 1858 you had a promotion of a great number of lieutenants of artillery to be second captains?—I do not remember the circumstances attending it.

963. Do you remember that no difference was made with reference to the pay and allowances of these second captains and first captains?—I believe that to have been the case.

964. You were a major yourself at the time this promotion was given, were you not?—I do not know; I know I was not personally interested in the promotion from second captain to first; but what rank I held at the time I have entirely forgotten.

965. As you were in the receipt of staff pay at the time, you had no personal knowledge of what pay the officers received in the Engineers and Artillery who were promoted from major to lieutenant colonel?—I am aware that a certain proportion of them always received major's pay, and that I received it myself for a certain time as lieutenant colonel.

966. But you have no recollection or knowledge whether these officers received the same

Sir *George Balfour*—continued.

pay that the other lieutenant colonels of their own regiment received?—They did not receive the same pay; a certain proportion of them received lieutenant colonel's pay, and a smaller proportion received major's pay.

967. You are speaking of the Indian Artillery, are you not?—The Indian Artillery and Engineers.

968. And you consider that there was a difference of pay between the junior rank of lieutenant colonels and the senior rank?—Yes.

969. You mentioned that the great reform in the pay of the non-commissioned officers and soldiers in the Indian Army in 1841 was conducted by the Commander in Chief and the Board of Control?—I do not think I mentioned that.

970. You objected to the Secretary of War's name being introduced?—I did not know any instance of the Commander in Chief having anything to do with it, but the Chairman called my attention to a correspondence between the Commander in Chief and the President of the Board of Control; I was not aware of that before.

971. Do you remember objecting to the name of the Secretary of State for War being introduced into it?—Yes.

972. Are you aware that the Secretary of State for War was an active mover with respect to that great reform in 1841, in the pay and allowances of the non-commissioned officers and soldiers?—I am quite aware that when Lord Howick was Secretary of State for War there was a great controversy between him and the Court of Directors about the pay of the soldier in India, and I am quite prepared to admit that it was within the province of the Secretary of State for War, and his duty, if he saw any just cause of dissatisfaction on the part of the soldier, at once to forward it to the notice of the Indian Government.

973. The power of interference on the part of the Secretary at War has been put in force, therefore, and it is the duty of the Secretary of State for War still to do so, if he should see fit?—In extreme cases, no doubt.

974. Then the important point I wish to come to is this, that as we have only had one or two instances of the pay of the men and officers ever been injuriously arranged by the Indian Government, we have only, of course, a very few instances of interference upon the part either of the Secretary at War or the Secretary of State for War?—I do not know that I have any answer to give to that question.

975. We had a reform of the pay and allowances of the men of the army by reason of these allowances, which were fixed in the last century, having fallen below the rates which the corresponding ranks of the English Army received, and on that occasion the Secretary at War did interfere?—That is not in accordance with my recollection of that dispute, which seems to me to be somewhat out of date now; it was not that the aggregate of the pay of the soldier in India had fallen below the pay of the soldier here; it was that, although it was considerably higher, yet they found that in the original constitution, if I may so call it, of that pay, the English pay had been converted at the rate of 2 *s.* 6 *d.* a rupee; and Lord Howick, then Secretary of State for War, was very strong upon the injustice of this arrangement, and the Court of Direc-

Major Gen. Sir *T. T. Pears*, K.C.B.

20 July 1877.

Sir *George Balfour*—continued.

tors showed him that, although that had been, in the days of the old sicca rupee, the arrangement, yet the local allowances which they gave had more than covered any loss the men might sustain by that unfavourable rate of exchange; and it ended in the East India Company entirely holding their own in the matter, I think, although for some time Lord Howick was very strong upon it, and, in fact, very angry; but when Mr. Macaulay succeeded him as Secretary of State for War, the matter was put to rights, and the East India Company maintained their position; that is my recollection.

976. The result was that a considerable increase took place on that occasion in the pay of the British soldier in India?—My impression is that no change was made in his pay; that he was amply paid then; and the difficulty was in explaining to Lord Howick that there was not an injustice in having based the calculation of that pay upon the 2*s.* 6d. rate of exchange for the English pay; but no increase, I think, took place.

977. Then you have no recollection of the new rates of soldiers' pay whilst we were in China?—I have no recollection whatever of them. but I do not think they involved any increase.

978. It turns entirely upon the fact whether these rates, published in 1840 or 1841, did give an increase of pay to the soldier?—No doubt.

979. The next point I was rather anxious to ascertain from you was this; you mentioned that the division of the 16*s.* into 14*s.* 6*d.* and 1*s.* 6*d.* was "their" idea; you meant the idea of the War Office?—Yes.

980. May I ask what you meant by "their" idea; was it the wish of the War Office to make that division, or was it done to meet their wishes?—I endeavoured to express myself plainly on that subject; and I repeat that they did it with the sole intention, as they thought, of meeting our views, and aiding the Secretary of State for India in making any arrangements he thought proper regarding the pay of these new majors.

981. May I ask whether they preferred the pay being given at 16*s.*, or whether it was in accordance with their idea that they preferred the 14*s.* 6*d.* and 1*s.* 6*d.*?—I have no doubt (and I think Lord Cardwell has stated as much) that if we had not been in the way they would have given plainly 16*s.* a day.

982. Therefore it was with some object that India had to gain that; you desired it to be done?—It was to facilitate the carrying out the views of the Secretary of State for India in Council.

983. And at that date was it understood that you would be able, by means of profit out of the contract allowances which you considered to be equal to the difference between the pay of the captain and major, to satisfy the officers with the pay of captains?—We had not gone into the question of the contract allowances at all, nor was it a question of satisfying the officers altogether. The question was, what was just on the one hand to the officers, and on the other what was just to the people of India; and it was considered that the emoluments received by the officers of Artillery in India were quite sufficient for the duties they had to perform. Their duties underwent no change whatever by conferring upon them the rank and the name of major.

Sir *George Balfour*—continued.

984. Then the objection was to having too many majors in that branch of the service serving in India?—The objection was to the heavy additional expenditure thrown upon the Indian revenues.

985. But the change was made out of consideration for the Imperial army in connection with the organisation of the Artillery, was it not?—I do not know, indeed; it being a War Office change, I cannot venture to say what their reasons were for it, but I understood them to be, first of all, to remedy a stagnation in the corps of Artillery at large; secondly, to place the captains of Artillery on a fair footing with the captains of the rest of the army.

986. But, as you know so much about Lord Cardwell's evidence, do you not know also that he gave it in evidence here that he considered the command of a battery was one suitable for a major, and not for a captain?—Yes, that was his view.

987. Therefore, that change was a part and parcel of the organisation of the English Army, was it not?—It was so.

988. We have now no steps of the Indian Army by which we can measure the organisation of the Imperial Army sent from England to do duty in India, by reason of the abolition of the European force in India?—We have no similar force with which to compare it.

989. Since 1861 we have entirely depended upon the Imperial Army for the European garrison in India, have we not?—Yes.

990. Have you had any discussion since you were Secretary at the India Office connected with the organisation of the army in relation to the expenditure borne by India for the troops there serving?—I must have had a great many discussions; but all of them have had reference, I have no doubt, to the financial operation of these various measures; it is not for the India Office generally to take a part in discussions affecting the organisation of the British Army otherwise.

991. But hitherto since the Mutiny India has received from the Imperial Army the troops required for the Indian service, according to the organisation of that English Army?—Yes.

992. Then are you aware of any objections ever having been raised by the India Office connected with the organisation of the troops sent to India on account of the heavy expense borne by India?—I do not remember at this moment any, except in the case of the doctors.

993. Then you have no recollection of the remarkable discussions which took place in 1861 connected with the heavy expenditure which India would have to bear by reason of the expensive organisation of the cavalry and infantry serving in India?—Yes, I remember now that there was some discussion just at the time before I came into the office, and there were some modifications made in the organisation of the regiments to meet the views of the Indian Government by the Secretary of State; it was a small matter.

994. You consider that it was a small matter?—It was a question of an extra lieutenant colonel, something of that kind, to each of the cavalry regiments; not a very large matter in its financial importance.

995. You have not of late refreshed your memory by looking over these papers?—No, I have not.

996. There

Sir *George Balfour*—continued.

996. There was one part of the changes which I have not quite followed; in 1872, when the Warrant was issued fixing the pay of majors of Artillery, the pay of lieutenant colonels was also fixed?—Yes.

997. On that warrant being issued, the Government of India at once accepted that new rate of pay, and directed that all lieutenant colonels then in India serving on majors' pay, should then receive the pay and allowances of the rank of lieutenant colonel?—Yes.

998. On that occasion you adopted that portion of the Warrant?—Yes.

999. Of your own accord?—I believe that the Secretary of State did it in the exercise of his own discretion.

1000. He was influenced by the Warrant being published?—No doubt.

1001. Was there any necessity for giving the junior lieutenant colonel serving in India, do you think, the pay and allowances of lieutenant colonels?—I think myself it was a very good measure; for men of one rank, and performing the same services, to have a difference of pay, I myself think was inexpedient. I thought it myself a good mode of getting rid of it.

1002. Was there any deficiency in numbers in the rank of lieutenant colonel in the Artillery at that time in India?—Certainly not.

1003. Were not the field officers of Artillery very numerous?—They were.

1004. The numbers being very large, the duties must have been very light?—No doubt they were.

1005. You have heard of three or four colonels and field officers of Artillery being together at one station with one or two batteries?—I do not remember to have heard of that, but until the reduction that took place in the same year it was a thing very possible to happen.

1006. The necessity for increasing the pay of that rank was not because the Royal Warrant in England gave that pay, but it was simply an optional step and an advisable one, you say?—That was a case in which there were several provisions in the Royal Warrant applying to the officers of Artillery, and I can easily understand that the Secretary of State for India would be very glad to carry out and comply with the provisions of that Warrant in India, so far as he considered it was due to the interest of the country.

1007. But you did not think it necessary to do so in respect of the majors in command of batteries of artillery?—No.

1008. Then these officers having probably more duties than what the junior lieutenant colonels had to perform, and yet seeing that their brother officers in the same rank were receiving more pay and allowances, you did not think it was at all unobjectionable to allow these officers to remain with inferior pay?—We did not observe any change in the amount and nature of their duties from the time they were captains on their promotion to majors; and it was considered in the India Office that they were sufficiently remunerated for their duties as commanding batteries, and therefore that it was not necessary simply because they were transferred from captains to majors, to alter their rate of remuneration.

1009. And because as you thought they made a profit out of the money allowances?—Because their remuneration in the aggregate was sufficient.

Sir *George Balfour*—continued.

1010. And that remuneration in the aggregate meant the profits made out of the contract allowances?—No doubt.

1011. Do you consider that the officers in command of batteries receiving those money allowances saved the Ordnance establishment any trouble by undertaking the duties connected with their batteries?—No doubt they did, that is to say, they did for remuneration what the Ordnance establishment now do, or otherwise would have had to have done without that aid.

1012. You remember at Madras whilst on the Military Board the arsenals had to supply the batteries with articles in kind to do the repairs which the officers in Bengal and Bombay executed out of the money allowances which the Government gave them?—I do not remember that fact. I am under the impression that the captains of batteries had the privilege of purchasing stores from the Ordnance Department if they wished it; but I am not well informed now upon those points.

1013. But you remember at Madras that officers there had no money allowances for executing repairs?—I do not remember that; it is so many years since I had anything to do with it that I do not remember it; it is 30 years since I was on the Military Board.

1014. I should have hoped, having such a number of intimate friends in the Madras Artillery, you would have remembered that fact?—I had a great many intimate friends, but I never went minutely into their private circumstances.

1015. You have no recollection of having demands made upon the arsenals at Madras for supplies necessary to repair the batteries?—I have no recollection of that.

1016. That is a remarkable oblivion of memory?—I do not think it is remarkable. When I did meet my friends among the artillery, I think we did not talk of what profit they made out of the allowances.

1017. The important point is this, whether it was a convenience to the Government or not that the officers should have a money allowance for doing that which the Government would rather not do by means of their own departments?—I believe myself it was a very good arrangement, that it promoted the efficiency of the service, and was at the same time beneficial to the officers.

1018. And you think that the officers must have attended to the repairs of their carriages, and given extra labour in seeing to the proper performance of the work connected with their field batteries?—No doubt.

1019. And therefore, considering the extra duty which they undertook that they were entitled to some consideration, and that the whole profit which they made out of their allowances ought not to be measured simply as the difference between what they spent and what they received?—I think it is perfectly fair and proper to consider these as part of the emoluments of their position; we have always done so in similar cases, just exactly as a man in India used to have in his pay, tent allowance, house allowance, horse allowance, and that was considered part of his pay. It is quite true, that for those things he had to keep his tent, and a horse, and to keep a house if he thought proper; but it was always considered part of the officer's pay, part of the emoluments of his position and rank.

1020. But there was a little difference with regard

Major Gen. Sir *T. T. Pears*, K.C.B.

20 July 1877.

Major Gen. Sir *T. T. Pears*, K.C.B.

20 July 1877.

Sir *George Balfour*—continued.

regard to these money allowances; an officer was liable to severe censure (and many did receive severe censure) from the general officer in command, if he failed to maintain his battery in a perfect state of efficiency?—No doubt.

1021. Therefore officers were obliged to be more careful what they did with regard to the battery than what they did with regard to the tent, or the horse, or the house?—An officer used to be obliged to show a good horse, I think, and an efficient tent.

1022. But for a long time that practice was not in force?—Ever since I remember, I think, a man entitled to a horse allowance had to show a good horse. I may be wrong.

1023. Have you any information in connection with the expense which the Government have incurred in laying in reserves of stores in different arsenals in connection with repairs of batteries?—I have no information; none had arrived at the India Office before I left, and I should doubt whether there is any yet.

1024. And we have no information of what the charges to the Government will be?—No.

1025. But you doubt very much whether the Government can do it as economically as they did when they gave the money allowances?—I do not say "as economically as when they gave the money," but as economically as the officers could do it. I have no doubt that the Government will save some money out of the contracts, but they will not make so much as the officers would have made as profits.

1026. Will you venture now to state what proportion it might be; you said that 25 per cent., or one-fourth, was the sum formerly: have you been induced to modify that per-centage?—I do not remember mentioning 25 per cent.

1027. You are aware that in the correspondence laid before Parliament that figure of 25 per cent. has often been spoken of as the proportion of the money which the officers made as profit?—I do not remember making that statement myself, nor have I ever calculated the exact per-centage; the only general remark that I remember to have seen about it was, that in some cases it was said to be quite equal to the difference between the pay of the two grades, and in others it was stated to be not so much. I think Sir George Barker's committee set it out at 300 rupees a month; and the Government of India, at one time, thought that it would be at least equal to, if not more, than the difference of pay between captain and major, but latterly they thought it would not be above 200 rupees a month. There is no certain knowledge on the subject, and I have no personal knowledge on the subject; but my impression, from conversation with old Indian officers and Artillery friends, was that they made their nett emoluments, after deducting the expenses of the contracts, amount to something between 750 and 1,000 rupees a month in horse and field batteries.

1028. Do you think that the command of a troop of cavalry is equal to the command of a horse artillery battery?—I should think not.

1029. Would you be surprised to find that a cavalry captain receives now more pay and allowances than an officer commanding a horse artillery battery?—Yes, I should be surprised to find that.

1030. You have never looked at that point?—I never have.

Sir *George Balfour*—continued.

1031. In one of your first letters at the War Office you objected to the expense being incurred by India on account of the promotion of captains to majors, by saying that there were 120 captains to be promoted?—Yes.

1032. Had you any special data then before you for that statement?—I have no doubt I took it from the existing Army List, or something of the kind; and I see that the War Office, in the Return they presented to Parliament, made out the number as 128.

1033. What Return is that?—A Parliamentary Return which I have seen lately, issued in 1872, which gives the number of captains to be promoted to majors on the British and Indian establishments.

1034. Have you seen that Return which we have lately had given us (*handing to the Witness the Paper handed in by Colonel Radcliffe, No. 2, of the Appendix*)?—No, I have never seen this Return.

1035. Looking at that Return which has been placed before this Committee, you will observe that, assuming the Deputy Adjutant General's Return to be a correct one, the number of captains of artillery connected with batteries in India of all kinds, falls very far short of the 120 that you mention?—Yes; I think there must be some mistake about this, because in 1872 it gives 76 batteries in India, and I know that there were 86.

1036. But, at all events, according to that Return, the number is not nearly so many as you state?—No.

1037. And with regard to the sum of 420*l.* you calculated, did you take pains to take out the difference of the pay?—Yes; I suppose that is about the difference.

1038. Is that calculation at the India Office?—No; there will be the Draft Despatch at the India Office, but no particular calculations; you can make the calculation in two minutes.

Captain *O'Beirne*.

1039. In reference to these contracts, you say that officers in command of batteries, by losing the contracts, were serious losers in a pecuniary sense?—If they lost the contracts without their getting the major's pay.

1040. You consider the contracts were a gain to the officers?—Very great.

1041. But are you aware that in 1868 and 1869 orders came down from the head quarters of the army in India to have an inquiry in all large stations in India as to this contract system, to ascertain if it could not be diminished?—I ought to have known that; but I had quite forgotten it. Was it the Artillery, may I ask?

1042. Cavalry and Artillery, both; do you not remember that?—I remember an inquiry about the cavalry contracts; there was some complaint made about the troop cavalry contracts; but I do not remember any inquiry into the artillery battery contract system.

1043. Have you not heard that this inquiry, to which I refer, came to a sudden termination, because the evidence was rather in favour of increasing the contract allowance?—I did not remember that; I have heard nothing about that; it certainly was not done by orders from home.

1044. No, but by orders of the Indian Government in 1868?—I do not remember hearing anything

Captain *O'Beirne*—continued.

anything about it; I do not think that any communication in connection with that subject was received at home; they may do many things of that kind in India which they do not think it necessary to report.

1045. As far as you are aware, has the price of native labour, and of the common articles of native manufacture, considerably increased since the Mutiny, all over India?—It has in all the large towns; I do not know whether it has elsewhere.

1046. Do you not think that that would affect considerably the contract allowance and go to make it insufficient?—It doubtless would, to a certain extent, affect it, but I do not know that it would affect the class of mechanics they have to deal with; but no doubt a general rise in prices would affect it. I think it is very probable that of late years they do not get such profits as they did 20 or 30 years ago.

1047. And this contract allowance has remained exactly what it was in 1857 up to the present date?—I believe it has.

1048. Do you not think the allowance would be insufficient in these years, with the price of native labour periodically increasing every five years since the Mutiny?—I do not myself believe that it has ever been found insufficient, but those who have held command of batteries could speak to a certainty. I think it is very likely that the profits have diminished.

1049. Did you hear that in cavalry regiments it was very insufficient, so much so that it was a common practice to hand over the contract system to natives and get them to do it?—No, I never heard that; I never had anything to do with the question as it related to the cavalry; but the contracts in the artillery batteries were much larger than anything in the cavalry troops, I think.

1050. I thought it was the same in the cavalry as in the artillery as regards the horse equipment?—They would have probably the same allowance for shoeing; but there was an allowance in the artillery for repair of carriages, for instance, which was very large. It was all in one lump; an officer commanding a troop of artillery got 800 rupees a month, for which he had to maintain his carriages and also his horses; it was said to be very profitable.

1051. Do you think that would be so after 1868, in the years in which prices were at their highest?—I get my information from conversation at different times with officers of Artillery who have had experience, and there are many of them who could give information now more accurately than I could, and I have no doubt that officers of the Royal Artillery going out recently from this country would be less capable of making profits out of it, and less disposed to work the system zealously than the old Indian officers who were accustomed to it.

1052. You have not heard that it was so inadequate that officers were glad to avail themselves of gaol labour, such as you could get in the large gaols in India, to carry out these contracts? No, I never heard that; but I can understand that they might do it if they found it profitable, even though the allowance was sufficient; of course an officer might be legitimately allowed to get as much profit out of it as he could, and if he could get it done cheaper by gaol labour he might employ it.

Mr. *Denzil Onslow*.

1053. The Chairman has put to you some questions regarding the action of Mr. Cardwell, and the then Secretary of State for India; the Duke of Argyll in 1872, before the issue of this Warrant, and I would like to call your attention to that letter, which no doubt you will remember, signed by yourself, dated the 5th of February 1872?—Yes.

1054. It is there laid down by the Duke of Argyll as of very great importance, that the India Office should be made fully aware of any changes to be made as regards the Army, which would affect the finances of India?—Yes.

1055. And it is also said there by the Duke of Argyll, that he had no official intimation that this change was to be made, but that his knowledge was mere hearsay; I think he said that he had "reason to believe"?—Yes.

1056. Now you are positive, I think, judging from your answers to the Chairman, that you had no official communication of any kind or sort whatever from the War Office to the effect that this great change was to be made, a change which would materially affect the revenues of India?—My impression is at this moment that we had none. I do not believe we had any when I wrote that letter.

1057. Now, Lord Cardwell, in the following letter, in his answer, in the last paragraph, assumes that this change will not very much affect the finances of India?—Yes.

1058. Are you aware whether that assumption was from any official information from your department to his, or was it from evidence which your department had not furnished him?—I do not know where he got it from; it may have been between the dates of those two letters; probably from some conversations we had had, but I do not think that there is any official record of it.

1059. With regard to the general question, do you or do you not think that when any great change is to be made which will entail a great expenditure, or rather, I should say, a greater expenditure on the revenues of India, ample time should be given, not only to the Secretary of State for India, but also to the Viceroy and his Council, to consider the nature of those changes?—I think it should be so in all possible cases; but I am ready to admit that there are times when the Secretary of State for War is very much pressed, and when he cannot wait for references to India, because it would be very inconvenient to the public service in this country.

1059*. Is it a rule that the India Office shall have time to communicate with the Viceroy when any such changes are proposed to be made?—No, there is no such rule. The Secretary of State for India is always anxious to do so if he can, but he is often pressed by the Secretary of State for War, who may be pressed, because he may be pledged to Parliament, or for other reasons.

1060. May we take it, that as a rule, the Viceroy in Council has not time to consider the nature of these changes before they take effect?—Such cases do happen sometimes; but in all possible cases the Secretary of State for India would be glad to consult with the Viceroy; there are cases, however, in which it would not accord with the views and wishes of the Secretary of State for War to expend so much time.

1061. Would you mention to the Committee any particular case in which the Secretary of State for India has had time to consult the Vice-

Major Gen. Sir *T. T. Pears*, K.C.B.

20 July 1877.

Mr. *Denzil Onslow*—continued.

roy and his Council in a matter materially affecting the finances of that country?—Yes; he consulted him on one if not on both the occasions when he was going to increase the soldiers' pay; there was ample time, not, if I remember right, from the date of any communication from the department, but from the date of the War Minister's Budget speech, if I may call it so, in Parliament; that was made in the first instance, I believe, in the month of March, and the scheme was not to come into operation till October, so that there was time then to communicate with the Government of India, and for them to consider it.

1062. Still it had been settled in March that the pay of the soldier was to be raised?—Not settled that it was to be raised in India; but there was time before the actual Warrant came out, and before it came into operation, for the Government of India to consider whether they would do it or not.

1063. Then do you mean that there was no necessity upon the Government of India to increase the pay of the private soldier?—It so happens in that case it was considered necessary for due justice to, and the contentment of, the soldier in India.

1064. That being so, that it was necessary, do you not think that it would have been better for the Government of India first to have given their reasons to the Secretary of State for War before it was finally determined upon that the pay should be increased?—No doubt it would have been much better if they had consulted them before it was promised in Parliament; but that was a case in which the thing was done, and the Secretary of State for War pledged to Parliament before the Government of India had any opportunity of saying anything in the matter.

1065. I think you said, in one of your answers, that it has always been understood that a Royal Warrant is not necessarily in force in India; understood by whom do you mean, by your department?—By the whole service; by the public.

1066. Can you tell the Committee what would be the aggregate amount of pay and allowances of these officers if they received the additional pay on account of their being raised to the rank of majors, and the contract allowances?—I cannot say precisely, but it would be easily obtained. I should think it would give an officer commanding a horse artillery battery in the aggregate some 1,200 rupees a month.

1067. As much as the pay of a lieutenant colonel of a battalion?—Not quite so much perhaps; I think the officer commanding a horse battery has lately been granted the pay of a major at the rate of 900 odd rupees a month; and putting the profits of the contract at 250 rupees, that would bring it up to about from 1,150 to 1,200 rupees a month, which, at the usual rate of conversion of 2*s.*, a rupee is nearly 1,500*l.* a year for an officer commanding a horse artillery battery; those are in round numbers.

1068. The honourable and gallant Member who put questions to you last has been trying to prove that the contract allowance was insufficient for the officers. Now, if that had been the case, I suppose the Government of India, and probably the India Office, would have had several complaints made of the insufficiency of that amount?—No doubt.

Mr. *Denzil Onslow*—continued.

1069. Have you ever had such made?—I have never seen anything of the kind.

1070. Either in this country or in India?—No.

Lord *George Hamilton*.

1071. Previous to your appointment as Military Secretary in the India Office, what Indian service had you had in India?—I had been 35 years in the Indian service.

1072. So that you have had, taking your Indian service and your service in the India Office a continued service of 50 years in the service of the Indian Government?—Fifty-two years.

1073. You have been examined at some length upon the principles which regulate the dealings of the India Office with the War Office as regards the organisation and the discipline of the British Army serving in India, and also as regards their pay and allowances; could you sum up in a sentence or two what those principles are?—The main principles are these, to my mind, that the War Department has the control and maintenance of discipline among the British troops, the army as a whole, and that everything connected with the expenditure on those troops in India rests with the Secretary of State for India in Council.

1074. And that must be a necessary consequence of the Act of Parliament from which the Secretary of State for India derives his power, inasmuch as an absolute veto on all expenditure is given to the Secretary of State for India in Council?—Exactly so; and as I take it there is a very heavy responsibility in regard to the protection of the revenues of India.

1075. You are aware that under that Act the Secretary of State for India can over-ride or veto the decision of his Council upon any question except a financial question?—So I have always understood.

1076. But upon a financial question it is absolutely essential that he should have a majority of the Council?—I believe so.

1077. Indian pay, therefore, never having been regulated by Royal Warrant is at the present moment far higher in India than the pay received by British officers in any other part of the world?—Yes, it is in regard to the officers.

1078. It has never been contended at the India Office that we could withhold from any person in the British Army serving in India the British pay of his rank?—Never.

1079. But that any private, non-commissioned officer, or officer, was legally entitled to the British pay of his rank as fixed by Royal Warrant?—I think the word "legal" did not apply to it exactly; but as a matter of common sense and military policy no Secretary of State for India would venture to offer a soldier serving in India less than he would receive in England or the Colonies under a Royal Warrant.

1080. The pay of a private in India is not much in excess of the pay he receives in this country?—The pay is precisely the same; but the has certain indulgences in the way of free rations which I believe they do not get here.

1081. And when, therefore, an improvement was made here in the condition of the private soldier, in the first instance by giving him a free ration, and secondly, by an increase of 2*d.* a day, known as the deferred pay, it was absolutely necessary

Lord *George Hamilton*—continued.

necessary for the Indian Government to increase the pay of the private in India, as otherwise it would not have been equivalent to that which he received here?—Exactly so.

1082. There is the same proportion between the pay of a non-commissioned officer in India and in England?—I think very nearly the same. In some grades of non-commissioned officers the pay may be a little in excess of what it is here; they have a sort of staff allowances; but as a general rule the same applies to the non-commissioned officers as to the men.

1083. When we come to the officers, we find that there is a considerable difference?—A very great difference.

1084. And the higher the rank of the officer the greater the increase of the pay he draws in India compared with that to which he is entitled in England?—Exactly so.

1085. And in your great and long experience connected with the Indian Army did you ever hear of any complaint from British officers that they were insufficiently paid for the performance of their duties in India?—I do not remember any.

1086. Now, in the year 1872, when this Royal Warrant was issued there were certain Artillery officers in the position of first captains serving in India, but they were not all in an identical position; perhaps you could inform the Committee what the difference between their position and their pay and allowance was?—A certain number of these officers commanded horse artillery batteries, and that was looked upon as not only a very distinguished position but a profitable one in point of money. A still larger number held field batteries, and that was also, under the contract system profitable, but not so much so as the horse artillery batteries. Then there were a smaller number again who held garrison batteries, and they were, I may say, left rather out in the cold, for they received nothing but the small command allowance of 30 rupees. Then there were a few other officers holding situations on the staff of the Army, and they would, of course, get staff salary in addition to their regimental pay.

1087. Therefore there were a great number of Artillery officers in India who held the same rank but whose emoluments varied?—Yes.

1088. The officers who were in receipt of contracts derived considerable emoluments from them?—So I believe.

1089. Were there any batteries, the officers in the command of which were compensated for the non-existence or the non-receipt of contracts?—The only instance I can remember is that of the heavy field batteries, which were a new institution; and instead of giving them contracts they determined to give them a special command allowance, and they set it down at 250 rupees a month, which was, I think, expressly stated then to be a fair compensation for the loss, or for not having contracts given to them.

1090. Do you know how many of those batteries there were?—Very few; I think about four (but I am not quite certain) in all India of the heavy field.

1091. This compensation, therefore, which was given by the Indian Government to these officers clearly indicated what their opinion was as to the emoluments which the officers in receipt of contracts derived from them?—They put it upon

Lord *George Hamilton*—continued.

that; but they have on another occasion subsequently to that, I think, expressed an opinion that the profits were considerably more than that; but they gave the 250 rupees, considering it was sufficient compensation, I suppose, if not equal to the actual profit.

1092. In fact did you ever hear anyone contest the assertion that the officers did derive considerable gain from these contracts?—Never. I am quite sure they would not have held them contentedly if that had been the case.

1093. And if the Indian Government had abolished them, should you have been surprised if any claim for compensation had been made?—Not at all; I have no doubt such a claim would have been made.

1094. And I believe that one of the reasons why the Indian Government did not wish to abolish them was that they anticipated such a claim?—It may have been so; but I believe there was an opinion on the part of many experienced men that it was a good system; and those were the grounds upon which, as far as I know, the Government of India continued to maintain it till recently.

1095. General Smyth gave evidence before this Committee, and he stated that the result of his great experience was that he thought on an average he made 3,000 rupees a year out of these contracts; that would not seem to you an excessive sum, would it?—Not at all; it was less than I thought, and less than Sir George Barker's committee thought; they said 350 rupees a month.

1096. Such being the position of the officers in India, I should now like to ask you to go through the proceedings which occurred at the commencement of 1872 between the India Office and the War Office. Now in the first letter which you signed, I understand the Duke of Argyll to conclude by requesting that no measure affecting the finances of India "will be finally sanctioned until the views of the Secretary of State in Council have been recorded upon the subject;" that is the concluding part of the letter of the 5th of February 1872?—Yes.

1097. And you do not consider Lord Cardwell's letter any reply to that request, in which Lord Cardwell states that he "gave the Duke of Argyll to understand" that such a question "was under consideration," your contention being that any proposal of this character should be submitted to the India Office, so that the Secretary of State in Council might have an opportunity of expressing his opinion upon it?—Certainly.

1098. In this reply Lord Cardwell lays down in two paragraphs what he believes to be the principle which should regulate the dealings between the two offices; and the third paragraph of that letter is this: "He must at the same time consider that what is just and expedient, or even necessary, for the British Army cannot be set aside, because the peculiar arrangements of India render the change more expensive in that country than in this." And he goes on to remark, "The financial arrangements of India and the military allowances are in the control of the Secretary of State for India in Council, and if the allowances are too large the Secretary of State in Council can reduce them, only considering the opinion of the Secretary of State for War so far as the fair position of officers of the British Army may require." I suppose you would contend that if

Major Gen. Sir *T. T. Pears*, K.C.B.

20 July 1877.

Major Gen. Sir *T. T. Pears*, K.C.B.

20 July 1877.

Lord *George Hamilton*—continued.

the Secretary of State for India in Council had the power of reducing the allowances which he gave to officers serving in India he would also have the power of refusing to increase them?—Certainly.

1099. That the one admission naturally follows the other?—Certainly.

1100. Then in the concluding part of his letter, Mr. Cardwell states that he "believes that the contract allowances of captains of mounted batteries are so beneficial in a pecuniary sense to the holders, being much in excess of what is required for the efficient maintenance of the batteries as practically to make the emoluments of the field artillery captain greater than those of a major of the line, and he sees no reason why if the rank of major shall be established in the Royal Artillery, the expense to India need be increased by the sum of 50,000 *l.*" His views therefore as regards these contracts were entirely in accordance with those of the India Office?—So it appears; that the contracts might be left be as they were, and there would be no necessity for the increase of pay.

1101. And you estimated in your letter that if an increase of pay was immediately given to all these officers, and the contract allowances were untouched, the military expenditure in India would be increased by 50,000 *l.* a-year?—Yes.

1102. And Lord Cardwell therefore assumes that this expenditure is not necessary, because the abolition of the contracts would effect a great saving?—No, it is not the abolition of the contracts; it is that they are already in receipt of large emoluments from the contracts; he does not propose the abolition of the contracts; he says he believes that the contract allowances of captains "are so beneficial in a pecuniary sense to the holders, being much in excess of what is required for the efficient maintenance of the batteries, as practically to make the emoluments of the field artillery captain greater than those of a major of the line." He might have meant, perhaps, we can do whatever we like; but there is no distinct recommendation here to abolish the contracts; and I think Lord Cardwell has said in some part of his evidence that he did not consider it his business to recommend anything of the sort.

1103. That is the first stage of the proceedings; then we come to the second stage; communications of a demi-official character took place between you and Sir John Adye?—Yes.

1104. And the Royal Warrant was altered to meet, as I understand, the views of the India Office?—The alterations were not themselves proposed by the India Office; but, as I said before, that particular alteration was introduced in a very friendly spirit by Sir John Adye and by Lord Cardwell with a view of helping us, as it were, in our arrangements; they knew that we proposed them not to give the majors' pay to the Artillery majors, but that it would be a more strikingly invidious duty on the part of the Secretary of State for India if, when they gave the exact pay of 16 *s.* a day to an officer commanding a battery, he did not give the same exact pay in India; and therefore Sir John Adye brought it to my room one day, and said, "Mr. Cardwell adheres to his resolution of making the majors, but we propose to pay them in this way," and it was accepted; but at the same time it was clearly seen that whether we did accept it or not, Mr. Cardwell was determined to make the promotions.

Lord *George Hamilton*—continued.

1105. Your attention has been directed to a question put to Lord Cardwell, and his answer in the evidence of the East India Finance Committee of 1874, at Question 1665, and Lord Cardwell concludes that answer as follows: "But so far as I remember, what was ultimately decided was this, that the clause in the Royal Warrant was altered to give the major only a slight increase of pay beyond what he had received as captain, with a command pay; and this arrangement was accepted as enabling the India Office to meet what would otherwise have been a considerable increase of charge upon the revenues of India." That I suppose is a correct interpretation in your mind of the object with which the Royal Warrant was altered?—Yes; but when Lord Cardwell speaks of this arrangement being "accepted," there is the remark to be made (it is a trifling mistake, you may say, perhaps), that it was merely not objected to by myself; but it had not been accepted when he prepared the Warrant by anybody in the usual sense of the word. Sir John Adye mentioned that that was what they proposed to do, and I saw no reason whatever to object to it in our interests, but, on the contrary, I thought it would smooth the way to the adoption of the measures which were proposed.

1106. The next question is, "But the consequence of that alteration has been that an additional charge of 40,000 *l.* a year has been placed upon the revenues of India; I do not suppose that would be within your cognisance, because the Despatch was only received the other day?—(*A.*) I must leave your Lordship to explain that, for it appears to have taken place under your administration, and not under mine, and I can offer no explanation about it. (*Q.*) No; the Indian Government recommends the change, and they say that it is a necessary consequence of the promotion of captains to the rank of major, as it is felt that if a man is promoted to that rank, he ought to have the pay?—(*A.*) Then I suppose that those economical views with respect to the contract allowances have in some way evaporated in the interval." We therefore get to the second stage of the proceedings, that an alteration is made in this Royal Warrant. The next stage is the forwarding of the Royal Warrant by the War Office to the India Office?—Will you allow me to say that I am not aware of there having been any previous draft of the Royal Warrant? You speak of an alteration; I believe myself that the draft was frequently altered, because I know there was one case in which it was proposed to promote the engineers by hanging them on to the Royal Artillery; but I am not myself cognisant of the rate of pay having been introduced as a special alteration in any previous draft Warrant. I only know that Sir John Adye came over to me, and said, "Mr. Cardwell adheres to his resolution of promoting the majors; but we propose to pay them in such-and-such a way," and I saw no reason to object to it; if he determined to promote the majors we could not help ourselves; and as to that rate of pay, it had some advantages in our eyes, and it was not for us to find any ground to object to it.

1107. You having then received a Royal Warrant enclosed in a letter by the War Office, you

Lord *George Hamilton*—continued.

you acknowledge that letter on the 11th of July 1872, and in that letter, at page 9, in reply to the War Office, you state, "His Grace (the Duke of Argyll) desires me to say, however, that as the officers now holding the position of first captains in those two corps in India are liberally remunerated for their services in that country, he does not consider that any change in their present rate of Indian pay and allowances is called for by the proposed change of rank and designation?—Yes.

1108. Was there ever any reply received to that letter, pointing out that you did not propose to loyally carry out the Royal Warrant?—No, I am not aware of any; it would have been here if there had been, I presume.

1109. And have you any doubt whatever that if Lord Cardwell had believed that the India Office was acting contrary to any understanding, or was not properly carrying out the Royal Warrant, he would have remonstrated?—I am sure he would; and I feel satisfied in my own mind that before that was written Lord Cardwell was quite aware that that was what was to be done.

1110. You will observe in the evidence which Lord Cardwell gave I called his attention to the fact that he and Mr. Campbell-Bannerman had signed a Parliamentary Return in 1872 giving the cost of this promotion, and in which Return the cost to the revenues of India is put down as "*nil!*"—Yes.

1111. It is impossible to suppose that if Lord Cardwell had thought this Royal Warrant must of necessity impose an additional increase on the military expenditure in India he would have signed such a Return?—I presume so.

1112. You then addressed the Indian Government, enclosing to them the Royal Warrants, and whilst on the one hand you informed Lord Cardwell that you did not propose to increase the pay of the officers in India, you did, in your communication to the Government of India, suggest, or rather direct, that all captains in command of batteries who had not contract allowances, should have their command allowance increased from 30 to 100 rupees a month?—Yes.

1113. The Royal Warrant was then issued in India in a General Order, and in that General Order the Indian Government laid down the pay and allowances which the officers so promoted were in future to draw?—Yes.

1114. And that promised in the case of officers in receipt of contract allowances the same as they have received; but in the case of officers not in receipt of contract allowances there was an increase of 70 rupees a month?—That is the garrison batteries. I must just remind your Lordship that the heavy field batteries were also in the category of not having contracts, but they got no increase, having already 250 rupees a month.

1115. Now looking back on this transaction, can you suggest anything further which the India Office could have done, on the one hand, to prevent this additional charge being put upon the revenues of India, and on the other hand, to prevent the officers serving in India from believing that they were to draw major's pay?—I cannot.

1116. The whole transaction seems so clear to

Lord *George Hamilton*—continued.

you in all the stages of it that you cannot suggest that we omitted to do anything?—I cannot.

1117. Then a number of petitions were received at the India Office from the Government of India, and these petitions were signed by officers who considered that the issue of the Royal Warrant here entitled them to the pay of a major in India?—Yes.

1118. Can you state to the Committee, or can you put in any tabular statement showing exactly how these petitions have been dealt with?—I have no doubt it could be done at the Office. I had a statement, but I have not got it here.

1119. You saw such a statement at the Office this morning?—Yes, which showed how they were received, and how they were disposed of.

1120. And in the year 1876, I think it was, the Chairman of this Committee, Colonel Jervis, moved for a Return of all petitions which had been received, first by the India Office, and subsequently by the War Office?—Yes.

1121. And it was in consequence of this Return having been moved for that the expression crept into the correspondence between the Secretary of State and the War Office, that the petitions of these officers would be "Presented to Parliament in due course?"—Yes, entirely so.

1122. It was in compliance with an Order of the House of Commons?—Entirely so.

1123. Now in the year 1873, the India Government sent home a Despatch enclosing to us certain petitions from officers who considered themselves aggrieved?—Yes.

1124. And they proposed to abolish the contract allowances, and at the same time that those allowances were abolished, to increase the pay of all the officers who had recently been promoted?—Yes.

1125. What action did the India Office take on that Despatch?—The India Office perceived that this measure, a very grave measure, had been proposed by the Government of India, without submitting it in the usual way to examination by their military accountants, and without giving any statement whatever of the probable financial effect, and therefore it was absolutely necessary for the Secretary of State to send back a demand for a more complete report as to the probable cost of working out this abolition of the contract system and the increase of pay.

1126. On a subsequent year the Indian Government forwarded to the India Office a detailed statement?—Yes.

1127. And the Secretary of State thereupon assented to their proposal, and these officers received an increase of pay on the 1st of April 1875, and at the same time contract allowances were abolished?—Exactly so.

1128. Now there is an impression prevalent in the minds of certain members of the Committee that the Indian Government have, in these Despatches favoured the claims of these officers; are you aware that there is any ground for that supposition?—Not at all. All that the Indian Government say, I think, is that it was very natural (or something to that effect) that the officers having received the promotion should expect the pay; and that as there was an objection in many minds to the contract system, they recommend that the occasion be taken to abolish the contract system, and in connection with that to

Major Gen. Sir *T. T. Pears*, K.C.B.

20 July 1877.

Major Gen. Sir *T. T. Pears*, K.C.B.

20 July 1877.

Lord *George Hamilton*—continued.

give the pay of a major in India. That is what I quite understand; but the Despatch is in print. I do not find any evidence in it whatever of the Government of India being in favour of giving the pay as distinct from the abolition of the contract. This is the Despatch to which your Lordship points, No. 96 of 1873, at page 10; that is the one in which they first make the proposal to give the officers the pay and to abolish the contracts; and they say, "We have come to the conclusion that it would be expedient to grant the higher rates of pay and to withdraw the contract allowances for repairs of carriages and harness of batteries of Royal Artillery. We think this will be the most satisfactory course. It is true that in most cases the profit from this contract exceeds the difference of pay between that of a captain and a major, but any prolonged active service would greatly reduce this rate of profit, or perhaps cause it entirely to disappear. Further, majors of Engineers receive no contract allowance whatever, and the grant of 100 rupees a month, sanctioned by your Grace, to majors in command of garrison batteries, still leaves them with much less pay than majors of infantry." Then they go on to say, "We believe that it will be practicable for the Ordnance Department to supply all material," and so on.

1129. Then, in the same paragraph of the Despatch, they say: "We trust that the saving by doing away with the contract system will go far towards meeting the extra pay of the majors of Royal Artillery and Royal Engineers. We would therefore propose that, from the 1st April next all majors of Royal Artillery and Royal Engineers in India should receive the pay recently allowed to lieutenant colonels of these corps on majors' pay, and that the contract allowance for repairs of carriages and harness should cease, command money and allowance for shoeing, &c., and for repairs of arms continuing as at present." As far as you are aware, all the proposals that came from the Indian Government to increase the pay of these officers were combined with a proposal to abolish the contract system?—Certainly.

1130. Here is a letter from Colonel Burne, Secretary to the Government of India, to the Adjutant General, dated the 30th March 1874; will you read the first section of it, and I think it will make that point clear?—"I am directed to request you to inform his Excellency the Commander in Chief that the question of altering the rate of pay of majors of Royal Artillery and Royal Engineers in India is now under consideration, combined with a change in the system under which contract allowances, which are known on the whole to be profitable to the officers, are now passed to the commanders of batteries."

1131. The claim of the officers which we are now considering is based on the contention that the issue of a Royal Warrant here entitles them to the Indian pay of their rank in India?—I believe it is.

1132. And that they are entitled to that pay, besides being entitled to any contract allowances they were at that time receiving?—So it seems.

1133. Is there any one syllable in any letter from the Indian Government which directly or indirectly favours that claim?—I believe not.

1134. Their claim is based on the assumption that the Royal Warrant issued here entitled them to the pay of a major of the line; did they receive under that Royal Warrant in England the same pay as a major of the line?—No, they received less pay, with that battery command allowance.

1135. A major not in command of a battery would not receive the same emolument as a major of the Line?—No.

1136. Therefore they claim retrospective pay as a matter of right in India, which a Royal Warrant has not effect, although in England where a Royal Warrant has effect they do not receive the pay of a major of the line?—Precisely.

1137. In the year 1875 we communicated to the War Office our intention of giving that increase pay; do you recollect what the result was, and what the reply from the War Office was?—Yes, I think a remonstrance from the War Office on our doing that without having first consulted them.

1138. The remonstrance from the War Office was to this effect, was it not, that by giving an increased pay to majors in India we might put an increased charge on the military expenditure here?—That we might compel them to do something similar here.

1139. Therefore, so far from the Royal Warrant of 1872 contemplating that the majors in India were immediately to get that increased pay, when we gave them the increased pay the War Office protested against it on the ground you have mentioned?—They found fault with us for having done it without consulting them.

1140. Because it might involve increased expenditure here?—Yes, that it might embarrass them.

Chairman.

1141. Was that the reason assigned?—I believe it was to the best of my recollection.

Lord *George Hamilton.*

1142. I have some letters here to which I will refer you; the first is a letter from the War Office in reply to ours forwarding them a Despatch of the Government of India giving this pay; and it is as follows: "War Office, 9th June 1875. Sir,—I am directed by Mr. Secretary Hardy to acknowledge the receipt of your letter of the 5th of August last, 'No. 292 W., Military,' forwarding for his information the copy of a Despatch to the Government of India, relative to the pay of majors of Royal Artillery and Royal Engineers in that country. The arrangements sanctioned in the Despatch referred to will in all probability involve a readjustment in the pay, command pay, and extra pay of the majors of Royal Artillery and Royal Engineers on the Imperial establishment. Every endeavour is now made at this office to inform the Secretary of State for India as early as possible of any changes in the organisation and establishment of the Imperial Army, which are likely, directly or indirectly, to cause expense to the Indian Exchequer; and Mr. Hardy would be glad to be assured, in his turn, that he will for the future receive notice prior to the promulgation of any such measure as that now referred, which, it will be observed, has indirectly caused increased expenditure to Imperial funds." That is signed by Mr. Stanley. Then

Lord *George Hamilton*—continued.

Then there is a reply from the India Office, dated 30th June 1875: "I am directed by the Secretary of State for India in Council to acknowledge the receipt of your letter of the 9th instant on the subject of the late revision of the pay and allowances of majors of Royal Artillery serving in India, in which it is stated that every endeavour is now made by the War Department to inform the Secretary of State for India, as early as possible, of any changes in the organisation and establishment of the Imperial Army which are likely, directly or indirectly, to cause expense to the Indian Exchequer; and that Mr. Hardy would be glad to be assumed, in his turn, that he will for the future receive notice prior to the promulgation of any such measure as that of the late revision of pay in the Royal Artillery; which measure, it is observed, has indirectly caused increased expenditure to the Imperial funds. In reply, I am to state that Lord Salisbury would much regret that any decision with respect to the army in India, which would in any way increase Imperial military expenditure should be arrived at by the Secretary of State in Council, without previous communication with the Secretary of State for War. His Lordship, however, is not aware that any proceedings of this nature on the part of the Government of India have heretofore had such effect, and he would be glad to be informed in what manner the late measures affecting the Indian pay of majors of Artillery have tended to augment the military charges in this country;" then there is a reply of the Secretary of State for War giving all the information, and then there is our acknowledgment; now would it not be a very dangerous principle to admit that a Royal Warrant issued here would carry with it Indian allowances?—I think it would be most dangerous and most unconstitutional; and I think, and have thought from the beginning, that it would be an admission which would have most serious consequences if it were to be conceded, that these officers simply by quoting Royal Warrants should be in a position to claim any particular rate of pay and allowances in India, that rate of pay being laid down by the Government of India, entirely dependent on their authority and responsibility, and as I said before, those who issue Royal Warrants in this country having no responsibility with respect to the administration of Indian revenues. Therefore, if the officers of the army were taught to believe that any Warrant published by the War Office could give them an absolute claim to certain rates of pay in India, that would be virtually to transfer the control and responsibility of military expenditure in India from the Secretary of State for India in Council to the Secretary of State for War.

1143. And it would upset the fundamental principles of the Act of Parliament from which the Secretary of States derives his control over Indian finance?—So it seems to me.

1144. And it would be very objectionable to affirm that the Royal Warrant now discussed here was to carry with it Indian allowances and Indian pay, because there had been an understanding arrived at between the two offices before its issue that it was not to do so?—That would make it objectionable; but I myself feel that the great objection is the constitutional one; that it is throwing a power into the hands of the Secretary of State for War that he is not constitutionally authorised to exercise.

Lord *George Hamilton*—continued.

Major Gen. Sir *T. T. Pears*, K.C.B.

20 July 1877.

1145. I think you stated in your previous evidence that you knew precedents where officers had not drawn the pay of their rank in India, those being, I believe, the lieutenant colonels of Artillery who only drew the pay of majors?—Yes.

1146. And I believe in 1827 there were certain second lieutenants who did not receive the pay of their rank?—I do not know what date that began, but for a series of years a certain proportion of the first lieutenants of the Ordnance Corps received only second lieutenants' pay.

1147. I wish to call your attention to the four answers which Lord Cardwell gave at Nos. 127, 128, 129, and 130: "Your Lordship also stated, that if you had had your own way these contract allowances would at once have been abolished; and I understand that your Lordship also altered the Warrant to give the Indian Government the power of abolishing, when they chose, the contract allowances which hitherto had been in existence?—(*A.*) No; if I said that, I should have gone beyond what I meant to say. I meant to say, that instead of putting 16*s.* into the Warrant, with reference to the English majors, we put in 14*s.* 6*d.* and 1*s.* 6*d.*, because I understood that those who managed the finance of India would prefer that form of doing it. (*Q.*) But your Lordship did not intend that by the Royal Warrant the Indian Government should not have the option of reducing, when they chose, the contract allowances, but that the Royal Warrant was to give to all officers increased pay irrespective of any alteration in contract allowances?—(*A.*) Certainly; I never supposed anything of the kind. I have endeavoured to draw the line as distinctly as possible, that I never supposed that I had any power over Indian pay and allowances at all." Those answers quite tally with the communications and the correspondence which you had with Lord Cardwell?—Quite so, excepting that in saying, "We put in 14*s.* 6*d.* and 1*s.* 6*d.*, because I understood that those who managed the finance of India would prefer that form of doing it;" there is a little and a natural error into which Lord Cardwell falls, and those who managed the finance of India had nothing to say to it. In reality it was proposed verbally to me by Sir John Adye and then by him to Lord Cardwell in the expectation that it would be acceptable to us, and would help us out of the difficulty we were in financially.

1148. Colonel Radcliffe the other day put in certain returns as to the number of officers affected; you do not agree with his figures, do you?—No, I think there must be some mistake in the aggregate number of batteries. In his return he says 76 in 1872, and I know that there were at least 86.

1149. You estimate, therefore, the number of majors affected as 120?—Yes.

1150. And what is the amount of pay that they claim?—About 420 *l.* a year each, I make it, at 2*s.* a rupee; there would be some deductions, but that would make up to 50,000 *l.* as the gross liability of the Government.

1151. If this claim is admitted, it is the very claim against which from the first you contended, and to enable you to successfully resist which

Major Gen. Sir *T. T. Pears*, K.C.B.

20 July 1877.

Lord *George Hamilton*—continued.

Lord Cardwell altered the Royal Warrant?—It was, I believe, done with a view of enabling us to carry out the very measure afterwards carried out, that of continuing the captain's pay in India for the major's.

Mr. *Fawcett.*

1152. I understood you to say, did I not, that the pay of the English soldier, meaning the private and non-commissioned officers, was practically the same in England and in India?—Yes.

1153. And that the pay of the officer in India was in the higher ranks three times as much in India as in England; or could you tell me the exact proportion?—I should say it is at least three times as much; I think I am quite safe in saying that in the higher grades it is at least three times as much.

1154. You have not the exact proportion?—No, not here.

1155. Lord George Hamilton will hand you a table of comparisons of pay; will you read some of those and say whether you think that a correct statement as to the pay of officers in India and in England?—Yes. Here is the pay of a lieutenant colonel of horse artillery; in India it is 809 rupees a month, and the English pay converted at 2 *s.* ½ *d.* is 268 rupees a month, if it were the English rate of pay.

1156. So that it is more than three times as much?—That is more than three times. The pay of a major is 473 rupees a month in India, and at the English rate it would be 219 rupees; that is something more than double. The pay of a lieutenant after 10 years' service is 305 rupees a month in India; at the English rate it would be 134 rupees.

1157. That is more than double again?—That is more than double.

1158. What is the pay of a captain of artillery?—In this statement the pay of the field artillery is given; the pay of a captain is 417 rupees a month in India, and in England, according to the English rate, it would be 149 rupees.

1159. That is nearly three times as much; two and a half times?—Very nearly three times.

1160. With regard to that difference in the pay, and the much higher pay that these officers receive in India, can it be fairly said to be entirely due to any additional expense which they are put to?—I do not think it can be said to be due to that. In fact, the history of it is simply this, that in the days of the old East India Company they paid their servants in India, in whom they were very often specially interested, very liberally; and the authorities connected with the Royal Army in England insisted that when they had any troops out in India they should receive the same pay as the officer serving with the native troops; and so it has remained ever since.

1161. But the point I want to direct your attention to is this: there are certain advantages or disadvantages connected with serving in India to which a private and an officer are both alike subject; for instance, they both have to bear the same climate. Whatever those advantages and disadvantages may be, the private soldier receives no additional remuneration, but the officer receives the very large additional remuneration

Mr. *Fawcett*—continued.

which is shown by the figures you have read from that Table?—Yes. There is this difference in their position, that an officer has to provide himself with many things in India, such as quarters, which are provided for him in this country. What the value of those may be in money I do not know, but it is not very large.

1162. Then allowing for those things which an officer has to provide himself with in India, but which he has not to provide himself with in England, the fact remains, does it not, that he is very much more largely remunerated for his services in India than he is in England; whereas the private soldier is not?—I think that is quite true.

1163. But with regard to officers not paid by the Indian Government, but paid by the English Government, and serving in different parts of the world, such, for instance, as Sierra Leone, Ceylon, and Hong Kong, the climate of which is not superior to that of India, they are then placed in the same position as the privates, and they receive very little additional remuneration to what they receive in England?—I believe that is the case.

Sir *Walter Barttelot.*

1164. You have stated very distinctly that the pay of a soldier in India is no better than the pay of a soldier at home; will you kindly state what that pay is?—I have not come armed with any statement, and therefore I am afraid I could not undertake to give it.

1165. May I assume that in India the soldier receives the same pay as a soldier in England receives, absolutely in money?—Yes, absolutely in money, I believe they do receive the same.

1166. And are you aware that in England there are heavy stoppages?—Yes; I do not know what the stoppages are, but they have also stoppages in India. I think I stated that they have in addition to their pay, I believe, the advantage of a free vegetable ration.

1167. With a free meat ration also?—So they have here; they have all the same now in that respect. Formerly the Indian soldier had the advantage, but since the late Warrant they are on a par. I was myself engaged for some time in seeing to the actual conversion of the English rate of pay into Indian pay, and determining what the rate of conversion should be.

1168. Are there any other allowances received in India which are beneficial to the soldier?—Yes, there are allowances for their wives and children; I know of no other.

Sir *George Balfour.*

1169. They have supplies of beer and supplies of spirits at reduced prices?—They have to pay for those things.

Sir *Walter Barttelot.*

1170. So that if it was all absolutely put together I do not think you would deny that there was a certain advantage to the soldier in India?—Certainly there is; but what I wanted to show was that those advantages which formerly were very great are now not so great, but that any addition made here must be made there.

1171. I do not think you have disputed that with reference to non-commissioned officers and men, when the pay has been increased here, it has always been increased in India?—I do not think

Sir *Walter Barttelot*—continued.

think it has been as regards the non-commissioned officers; I do not remember until recently any pecuniary increase to the pay of the men; I have not got it in my memory, but I think there could be instances found of non-commissioned officers having special pay and allowances given them here which were not considered necessary to add there, because they were supposed to be already sufficiently well paid.

1172. What do the officers do with regard to their quarters in India?—They have to find their own quarters generally.

1173. Is it an expensive thing finding a bungalow, and other matters?—"Expensive" is a relative term; it depends on whether a man is married or not; and there is the same difficulty here; there is not always barrack accommodation for his wife and children.

1174. Supposing he is not married, is it an expensive thing finding quarters in India?—It is not a very expensive thing; young men generally club together in a bungalow.

1175. And what about his forage?—A mounted officer has a horse allowance as part of his pay, and that keeps his horse.

1176. And what about his servants?—He has to pay all his own servants.

1177. And on the march has he any travelling allowance?—They have free passages by rail if they are going on duty, and I do not think they have any travelling allowance, having been granted what is called full batta; I think that is part of their pay; but if they travel by rail I think they get free passage.

1178. On service is an officer's forage found for him?—As a general rule he has to find it for himself.

1179. You will not deny that there are a great many deductions which an officer in India is subject to?—Certainly there are.

1180. I may say heavy deductions, may I not?—Whether they are heavy would depend upon the ratio they bear to the aggregate pay. I do not think they would quite deserve the name of "heavy;" but it is so completely a relative term that it is optional with a man to call it heavy or not, as he likes.

1181. They may be heavy, or they may not, in fact?—Exactly so; they will vary with circumstances.

Mr. *Courtney.*

1182. I think your meaning rather is that they may be described as being heavy, or not?—Yes, I think it is an arbitrary term, rather.

Sir *Walter Barttelot.*

1183. Now let us take the question of these contract allowances; are you prepared to state to this Committee that that is part of the pay?—It is not technically a part of the pay, but I consider it a part of the profits or emoluments of the position.

1184. But the pay and the contract allowance are absolutely two distinct things?—Yes, they are.

1185. And the contract allowance was made in the interest of India and the Indian Government?—I presume they thought it was more to their interest that the officers of artillery should carry out these contracts than that they should do it through their own agents; and I believe it was so.

Sir *Walter Barttelot*—continued.

1186. May I put this further question to you; do you think that now the contracts are abolished, it will be very much to the interest of the Indian Government?—I do not think it will.

1187. Therefore, looking at it in a business point of view, you think that it was a better bargain for the Indian Government that the officers of artillery should maintain their batteries in a fit and efficient state themselves?—I think that it made the batteries more effieient; that is all. I do not think that the Government will gain anything in a money point of view by the present arrangement; that is to say, by the abolition of the contract system.

1188. Then with reference to efficiency, is it your opinion that batteries will be more efficient now that the Government find the stores than they were when the captains found the stores?—I should rather doubt it.

1189. With reference now, for instance, to the money which might be saved out of those contracts, would not that depend very much upon the distance they had to march, and upon other circumstances?—Very much.

1190. And if they went into action and were called upon for any severe work, the chances are that the contracts would not cover all the expenses?—For the time they might not; it is quite possible, though I have never known any complaints of that kind.

1191. Then looking at it as you do, that these two, the pay and the contract allowance, are two distinct things, do you not think, not looking at India alone, but looking at the interests of the British Army, which is partly in India and partly at home, that when a Royal Warrant is promulgated and announced in the House of Commons, to the effect that certain officers, namely, captains of artillery and engineers, are to be made field officers and have the substantive rank of majors, they ought to have the pay given to them?—No, under the circumstances, I do not think so, and did not think so. I thought myself that they were sufficiently well paid in India, and that it was at the same time very undesirable that there should be any claim admitted against Indian revenues on the strength of a Royal Warrant.

1192. Then may I ask you on what ground was it that you proposed that they should be made brevet majors?—Not with reference to Indian matters particularly, but to remedy what was said to be a grievance in the relative position of the officers of the artillery and the line.

1193. But when your proposal was not entertained, and they were made substantive majors, certainly, something about pay entered into your head and your consideration, or else you would not have proposed that they should be brevet majors?—Yes. The great difficulty that I felt the India Office would have in agreeing to the measure of promotion was the pay; then I said "If your only reason for doing it is to place the captains of artillery in a fair position with reference to the line, why not make them brevet majors?"

1194. But you as an old soldier with the interest of the army at heart, you felt that by making them substantive majors, they would have more or less a claim for the pay of the rank?—I felt that they would in all probability themselves feel that they had.

1195. And you felt when this proposal was put

Major Gen. Sir *T. T. Pears*, K.C.B.

20 July 1877.

Sir *Walter Barttelot*—continued.

before you that in justice to the men they ought to have had it?—No; I beg your pardon, I felt anything but that; I felt that in justice to the people of India, they ought not have it.

1196. Now I think you said, that the India Office were never consulted till Mr. Cardwell's statement was made in the House of Commons; but then you rather corrected yourself after that?—I meant entirely to correct that. I should have said and meant to say, that we were not consulted till he had made his plans and made his arrangements, a few days before he spoke in Parliament; we heard of it casually before we were consulted.

1197. There was no absolute communication previously beween the India Office and the War Office with reference to that matter?—None, except it was that communication which the Chairman of the Committee has alluded to between the Duke of Argyll and Lord Cardwell, it might have been that that happened at a Cabinet meeting, or at a dinner, but it never came to the office or the department.

1198. You also stated that there was no communication made to the War Office in 1874, when you made the alteration with reference to the pay and allowance in India?—Yes.

1199. Do you think that it is wise or expedient that in two great offices like the War Office and the India Office, these disputes with regard to our army in India, should be perpetually occurring?—I think it is one great evil that results from this double government in reference to the British Army in India. It is not for me to suggest a remedy; but it arises from this fact, that the one authority has an independent control and responsibility in the eyes of the country and Parliament, for the due administration of the revenues of India, while the other authority is responsible to the same bodies for the discipline of the Army. Now we know that the pay of the Army, and the discipline of the Army, are sometimes very intimately connected the one with the other; and when the authority that deals with the pay has no power whatever to deal with a matter of discipline, while the authority that deals with the discipline has no power in matters of pay, it must lead occasionally to a great deal of friction, and they cannot expect at the India Office that personal representations, and I may say agitations, regarding pay in India should be met and put down, if I may use the expression, so promptly by the military authorities as they would be if they involved an attack upon British revenues. There is a remedy, no doubt (and to a certain extent, I presume, that is resorted to), in the continual confidential communications between the two Cabinet Ministers; but as regards the departments, I am afraid it is sure to arise from those causes very often.

1200. Let me just ask, was it not a very natural effect after the statement which Lord Cardwell, then Mr. Cardwell, made as Secretary of State for War in the House of Commons, that the artillery and engineers in India, should think that they were going to get the pay as well as the rank?—Well, I think it very natural that a great many of those officers, particularly the younger men who had not much experience in Indian matters, and perhaps were utterly ignorant of the constitutional arrangements for the control of the Indian revenues, should have thought that it would follow as a matter of course; but I should also expect to find some of the older and more experienced officers hesitating to indulge in an expectation of that kind, knowing that they were well paid at the time, in India, and knowing that the pay question rested with the Indian authorities entirely, and not with the War Office. I dare say that many of the officers, to judge from their memorials, did not know that.

1201. I will read you part of an answer that Lord Cardwell made to a question of mine; my question was, "If those alterations had been made in 1872, carrying the pay and allowances that are now made to the officers of artillery and engineers, you would then have thought that they had been fairly treated?" and his answer was, "As I have repeatedly stated, my desire was that that should be done; it was not done, and I can only regret it; but I had no control or authority, and could not interfere in the matter." Now, although that is a very honest answer of Lord Cardwell's, yet there is some little discrepancy between the two portions of it; and what I wish to ask you is this, how was it that Lord Cardwell was led to expect that these alterations would have been made as soon as the promotions to major were made in the Royal Artillery and in the Royal Engineers?—I do not understand from his answer that any expectations were held out to him; but I can very safely and readily answer that, if you will make it clear to me what his expectations were.

1202. As I understood, he was in great hopes and expected it to be done, which led me to believe that there had been some communication on the subject between him and the India Office?—But he does not say that. I can tell you most clearly, as far as my recollection serves me (and I have full confidence in it), that there was no sort of expectation held out to Mr. Cardwell that the pay would be given to the officers in India. In fact, the whole difficulty arose from the fact that the pay could not be given; that it was throwing an additional burthen on the revenues of India which the Secretary of State for India would not be warranted in doing, and therefore great opposition was shown to the introduction of the measure at all; and then Mr. Cardwell knowing that said, "I must have the men promoted; it is my business, and I will have it done;" and at the same time he adopted a plan recommended to him regarding the pay, which plan you have seen mentioned several times, which he thought would in some measure meet our objections and difficulties.

1203. Now I will go to the question of the memorials; there were many memorials sent in, were there not?—Not what we call memorials, to us; a great many representations to the Adjutant General of the Army in the form of letters; but an unfortunate difficulty has arisen from the fact of the officers and the Commander in Chief in India having adopted two different channels by which to send in their representations.

1204. Was it right that those memorials, or whatever you may please to call them, should have been sent to the India Office, or that they should have been sent to the Commander in Chief?—Most unquestionably to the Commander in Chief.

1205. But when they were sent to you, did you in the India Office think it your duty to forward

Sir *Walter Barttelot*—continued.

forward them at once to the Commander in Chief, or send them back to India?—No; they were none of them forwarded to us, except the first few which came with the proposal of the Government of India to remedy the grievances; those were the only ones that ever came to us until we sent for them on the demand of a Member of Parliament. A Despatch came from the Government of India first, forwarding certain memorials and proposing the measures which were ultimately adopted; those were the only memorials that came to us.

1206. Are you aware that neither from the India Office, nor yet from the War Office, was any answer given to these memorials till this year?—I am not aware that the War Office did that. They might have answered them. These representations came in numbers to them, and it was for them to dispose of them, no doubt in communication with the Secretary of State for India, if they thought it necessary.

1207. Do you not think it an unfortunate state of things that memorials, whatever they may be, which were respectfully sent in, should not have had some answer given to them instead of the officers who sent in those memorials being kept waiting so long as they have been?—I think such memorials should be answered as soon as possible. I do not know whether you are alluding to the memorials regarding the arrears of pay, or to the memorials protesting against the original plan of only giving the first captains pay. The India Office only got memorials on the second subject, and they were dealt with by the Government of India in forwarding them, recommending certain measures which were ultimately adopted.

1208. Are the officers that have now received the pay of majors and the alteration which has been made in the contract allowances, satisfied with that alteration and with the pay of majors?—I hope so, but I have no means of knowing.

1209. So far as you know, they are?—So far as I know, they are.

1210. Do not you think in fairness to the officers who were in India when the Royal Warrant was promulgated in 1872, and who have since come to this country and have not received any pay as majors at all, their case ought to be fairly considered?—I think they should come under the regulations of the Government of India like the others for the time being, if they were in India.

1211. But they came to England most probably before the new regulation was made; and I want to know whether you do not think they have got a grievance to complain of?—I do not see what the grievance is; they come under English regulations at home.

1212. But from 1872 to 1875 when they were serving in India, they got nothing but their captains' pay and allowances?—They got the pay.

1213. And the British officers who have gone out since that time are now getting major's pay with an alteration in the contract allowances?—It is against a long standing rule of the Indian Government that any introduction of a new pay rule shall have retrospective effect.

1214. And that is your opinion notwithstanding what Lord Cardwell said upon that subject?—Quite. I do not remember to what particular saying of Lord Cardwell's you allude, but I do not see anything in Lord Cardwell's opinions or

Sir *Walter Barttelot*—continued.

evidence that would change my opinion upon that point.

Chairman.

1215. We have had it in evidence that a letter was written on the subject by the Commander in Chief to the India Office in November 1875, through the Military Secretary, but it was returned by the Assistant Military Secretary at the Horse Guards, who is an Indian official at the War Office, with a verbal statement that the India Office could not reply to that letter otherwise, as it was financial matter?—I remember it perfectly, but as I was one of the principal actors in that matter I should like to put clearly how it happened. The Horse Guards addressed a letter forwarding certain of these representations from the officers in India direct to the India Office. It was a very irregular thing to do and an inconvenient thing to do, as all these things should pass through the War Office, and the correspondence should be between the two Secretaries of State. I did not take upon myself to refuse anything without the sanction of the Secretary of State, but I took advantage of the relation that existed between myself and the Assistant Military Secretary at the Horse Guards to urge him to represent to the Commander in Chief that this sort of paper ought to go through the War Office; and I remember observing that there was written on the outer sheet, "This should go to the Secretary of State;" and I said to Colonel Travers, "I think probably His Royal Highness meant the Secretary of State for War;" and so the papers were taken back, and they were marked with the register as withdrawn, and I heard no more of them.

1216. Would there be any record of that transaction at the India Office?—There is no record when a thing is withdrawn, only the record of its being taken out of the register.

1217. We have the fact, therefore, that the Commander in Chief writes a strong letter to the India Office on this subject, which is returned by hand, and no record is kept why the India Office returned it?—It cannot be said to be returned by the India Office; but it was returned, no doubt, with a request that it should be sent through the proper channel, in fact.

1218. I do not wish to doubt the fact for a moment, that being a financial matter, it should have gone through the Secretary of State for War's Department; but it was subsequently so sent, was it not?—I do not know; but I do not think those same letters that were sent then ever came to us.

1219. Still letters were sent from the Secretary of State for War's Department on the subject, were there not?—Yes; we got three or four letters after that from the Secretary of State for War.

1220. What reply was sent?—That the Secretary of State for India could not depart from his former decision in the matter.

1221. What was that former decision, and when was it sent?—The words of the decision I do not know, but it was sent in August, about the early part of August 1876, I think; it will be found among the papers in the India Office; and it stated that the application of the memorialists could not be complied with, or something to that effect.

1222. There

Major Gen. Sir *T. T. Pears*, K.C.B.

20 July 1877.

Chairman—continued.

1222. There appears to be no trace of it known at the War Office; on the contrary, we have evidence to say that they had no decision on the matter which they could communicate?—I think that is a mistake.

Lord *George Hamilton.*

1223. I have just got a letter from the India Office, dated August 1875, which I will ask you to read (*handing a letter to the Witness*)?—That was addressed to the Horse Guards, and is dated the 3rd August 1875, and it is as follows: "I am directed by the Secretary of State for India in Council to acknowledge the receipt of your letter of the 23rd ultimo, forwarding four letters from officers holding the rank of major in the Royal Artillery, on the subject of the pay drawn by them, whilst serving in India, during periods since 5th July 1872. In reply, I am to observe that, previous to the issue of the Royal Warrant of 5th July 1872, in the course of the correspondence which took place between the War and India Offices with reference to the proposed increase of pay to majors of Royal Artillery, the Secretary of State for War expressed his opinion that the contract allowances drawn in India by these officers were so beneficial as practically to make these emoluments of the field artillery captains' greater than those of the major of the line, and that, consequently, the large additional expenditure from the revenues of India apprehended by the Secretary of State for India in Council, as a consequence of the proposed measure, need not be incurred. The aggregate pay drawn in India by officers commanding batteries was accordingly not increased as a consequence of their promotion to the rank of major. Subsequently it was determined, as His Royal Highness the Field Marshal Commanding in Chief is no doubt aware, to increase the Indian pay and allowances drawn by the majors of Royal Artillery in virtue of their rank, and to withdraw the contingent advantages enjoyed by them as commanders of batteries. With reference to the claims of the four officers, whose applications accompany your letter, Lord Salisbury has directed me to state that these officers have already received, whilst serving in India, the allowances fixed by the regulations in force in that country, as remuneration for the duties performed by them."

Chairman.

1224. That is the letter, is it not, referred to by the Adjutant General of Artillery, to which he stated that a reply was sent, and you were not satisfied with that reply, and which reply you declined to accept and returned?—No, I do not think that was a reply at all to this; it was forwarding further memorials from the officers.

1225. I will put it to you in another way; if that was considered a final reply, how was it that a Despatch was sent to India, in February 1876, to the Commander in Chief, or to inform the Commander in Chief in India, that he should inform the officers who had made their applications that their applications would be submitted to Parliament?—Simply for this reason, that with regard to those applications that we were then acknowledging, those memorials were copies, or originals, sent home in large batches, in compliance with a demand made by some Member

Chairman—continued.

of Parliament, I think by yourself, and we said, "A motion has been made in Parliament for copies of a Despatch, and of memorials or letters; send home whatever you have got"; and when they sent them, we just answered, "These will be laid before Parliament."

1226. I think those letters were sent home from India on the 30th of September 1875?—Yes.

1227. They were presented to Parliament about the 6th of March 1876; you did not wait at the India Office to know what action would be taken upon them, but in the meantime a Despatch is sent out to India to the Commander in Chief to inform these officers that their application would be submitted to Parliament?—Not to inform the officers, I think, was it?

1228. We had a paper sent in here the other day, which is as follows: "The memorials from officers of Royal Artillery regarding pay will be presented to Parliament in due course," and that is dated the 3rd of February 1876?—That was because Parliament had called for them.

1229. Are we to understand that the meaning of that was simply that you were going to comply with a Return asked for in 1875?—That was all.

1230. And that the Commander in Chief understood it so?—I should think so; we have nothing to do in correspondence with the Commander in Chief; that is to the Government of India.

1231. Then for 18 months these officers have been left under the impression that action was to be taken by the India Office to bring the subject before Parliament, and all the time there was no intention of doing that?—No, that letter to the Horse Guards refusing compliance was dated 1875, and they ought to have communicated it to the officers; all the representations were addressed to them.

1232. You said it was incorrect that any communication on financial matters should take place between you and the Horse Guards, and when they write to you you return the letter?—Yes; but I say having got that intimation the Horse Guards should have replied to the Commander in Chief in India.

1233. I find that a further letter was written inclosing an application from Major Manderson, then on leave from India, and on the 13th of July 1876 your office writes to the War Office, not to the Horse Guards, that his claim should have been forwarded *viâ* India; you do not refer them to his previous communication, but you simply say that this officer should have written through India?—"To India," I think I can explain that. That officer wrote not I believe in the same form that others had done, either in a memorial or a representation upon that subject, but he said that he had claim to certain adjustments of pay in India; and it is a standing and a very necessary rule that if any pay is due to an officer in India, the officer must settle it with the Government in India, because we can be no judges of it at all; and that particular question was not looked at in the same category with all these memorials regarding majors. It may be that it ought to have been so looked upon; but it was looked upon as one of those frequent occurrences when a British officer, having come home, has some claim against the Government of India for a re-adjustment of his pay; and there was a correspondence with the War Office about it, in which

Chairman—continued.

which they said that there was some inconsistency in having referred him to India; but we took it an ordinary adjustment claim.

1234. Is it not a fact that that officer had made his claim, *viâ* India, on the 25th of August 1875, and that it had been forwarded from India on the 30th of September to the India Office?—Perhaps he had.

1235. You state that all that was intended by the expression I have quoted was simply that you were going to comply with the demand for the Parliamentary Return?—Yes.

1236. But you are not quite sure whether that is the opinion which might have been formed by the military authorities in India?—No, I cannot say anything regarding that; I must add that these were all of them in compliance with the demand from the India Office, which demand was based upon a Return called for in the House of Commons. We said to the Government of India: "I request you, without delay, to forward all petitions and memorials sent to you, as they have been called for." The n they sent them home as they came. And with reference to that one Desptch, we just put in this little note in acknowledgment, "They will be laid before Parliament." We have a habit of acknowledging all general and not very important letters in what we call a general draft; we put the subject of the letter in one column, and put a note upon the opposite margin, "will be recorded," "will be considered hereafter"; and in this case, "will be laid before Parliament."

1237. We have had a letter put in by the Adjutant General, signed by the Commander in Chief himself, from the Commander in Chief in India, stating that he still referred the officers to the Depatch from the India Office stating that their case would be brought before Parliament?—I think that is a great pity.

1238. I hand you a Parliamentary Return on this matter, which is published on the 2nd of March 1877; and you will see that they have never had any explanation of that, otherwise than that that was the real intention of the India Office?—I think it is a mistake on the part of the Commander in Chief in India.

1239. These officers were not informed that that was simply the meaning of it. I have here the copy of a letter which I have received, dated the 23rd of February 1877, "Head Quarters, Fort St. George"; and it is with reference to an officer who has made a repeated application, and the answer that he gets is this, from the general officer in command: "His Excellency considers that it would be unbecoming for Major ——— now further to press his case; he must allow full time for Parliament to take his claims into consideration, and if nothing is done during the present Session, it will then be time to ask for further information"?—I had not at all contemplated that sort of action being taken on it, I must confess.

1240. We have had it very clearly before us that the War Office was the proper place to which all these memorials should have gone, and that instructions were sent to that effect by the Duke of Argyll, and that they were afterwards sent by the Marquess of Salisbury; do you know whether before you left office a petition to the Queen arrived there, forwarded by the Government of India from Lieutenant Colonel Purvis, of the Artillery?—I do not remember anything of the kind; it may have been so, but I do not remember it.

1241. This petition was forwarded about October 1876 by the Government of India to the India Office?—I do not remember it.

1242. Are you aware whether it is still there?—I was in the India Office till January 1877, but I do not remember seeing such a document as that.

1243. I suppose that has simply gone along with the remainder of the memorials?—I think immediate action would have been taken with a memorial to the Queen; that it would have been placed in Lord Salisbury's hands to do what he thought right; but I think I should have remembered it if it had come.

1244. This is a petition which caused a great deal of correspondence, and which was forwarded after due consideration to the India Office; but you are not aware of it?—No, I am not.

1245. When the Government of India proposed to take over the contracts and pay these officers their regular majors' pay, did it not also propose that these officers should continue a certain portion of the contracts?—At first they did.

1246. Was not that portion of those contracts quite one-half of the total amount?—No, I do not think so much as one-half; only the shoeing contract and one other trifling one.

1247. I will take the whole of the contract for the Horse Artillery, 789 rupees; now take these items: for shoeing horses (at two rupees), 356 rupees; gram pots, cavessons, petty stores, *Rs.* 27. 12; repair of arms, 30 rupees; these were proposed to be carried out; that is more than one-half?—That shows that they changed their minds afterwards.

1248. Did the Government of India change its mind?—Yes, so it seems, as far as I can make out.

1249. Was it not that the officers refused to have anything to do with it?—No.

1250. Will you refer, in the Parliamentary Paper giving the memorials and letters, to paragraph 3 of the letter of the 9th of July 1874, from the Government of India to the Marquess of Salisbury: "His Excellency has represented that commanders of batteries are, as a body, opposed to the continuance of the contract, even at an increased rate; that it imposes on them a thankless task, subjecting them frequently to undue suspicion, and placing them in a false position with their subordinates as well as their superiors, and that, in view of this opposition, it is scarcely expedient that the contract should be continued, especially as it is doubtful whether officers could be legally compelled to carry it on if they objected to do so." May we take for granted, therefore, from that high authority that it was because the officers refused to carry them on, and not because the Government of India did not care to continue them?—I think that is merely an expression of opinion that was entertained before by a great many officers, that they really did not like the contracts; and when once the question was mooted of discontinuing them, I am not surprised that a great many of them said they would rather not have them.

1251. A question was put to you by the Under Secretary of State for India with reference to a correspondence with the War Office; was not the result of that correspondence virtually this, that the War Office objected to the alteration

Major Gen. Sir *T. T. Pears*, K.C.B.

20 July 1877.

Chairman—continued.

alteration which had been made in the portion of the command money, without reference to them, and nothing else?—I suppose so. It appears in the correspondence what it was by a subsequent letter.

1252. A great deal has been said about pay and warrants of pay in reference to India, and it was pointed out that the warrants respecting pay have no effect in India?—No, they have not.

1253. Is not the question not one of pay but one of promotion. We know very well that if a warrant came out here that you should increase a man's pay from 10*s.* to 12*s.*, that would have no effect in India, because the pay there is an aggregate amount; but the question of that warrant was a question of promotion; these officers were promoted in a body, and therefore they looked to their position being recognised in India as to the rank to which they had been promoted?—I do not know whether it is right to say that the officers are promoted by warrant; they are promoted by the "London Gazette."

1254. I am afraid the gazette would be of no use without the warrant?—I think not in regard to pay, but otherwise, I mean.

1255. The date of pay is from the date of the gazette, but the promotion is by warrant, and not by gazette; the honourable and gallant officer near me was promoted in the gazette to be colonel commandant of a brigade of artillery, and he found that the gazette did not affect that?

Chairman—continued.

—It was cancelled in the gazette; it was not that the gazette had no force; it was cancelled afterwards. An individual officer could not point to a warrant as showing that he was promoted by that warrant. It seemed to me that they made that mistake very often in quoting the warrant for their promotion, whereas it was a warrant that only treated of their pay, which warrant therefore had nothing to do with India.

1256. But the gazette would not have appeared without its having been authorised by the warrant?—A good many things appear in the gazette without warrants.

Lord *Eslington*.

1257. You say that the warrant did not confer the promotion; and inasmuch as a warrant has no effect as regards pay in India, what was the use of the warrant?—For pay in England; that is the very thing that I meant to show.

Chairman.

1258. Then we will take your view of it; take the promotion in the gazette; these officers looked for this, not because a certain sum was fixed in the warrant in England, but because they were promoted to a certain rank?—That is their view of the case.

1259. And not an unnatural view, is it?—Not an unnatural view.

Tuesday, 24th July 1877.

MEMBERS PRESENT:

Sir George Balfour.
Sir Walter Barttelot.
Mr. Courtney.
Mr. Grant Duff.
Mr. Fawcett.
Lord George Hamilton.
Colonel Jervis.
Mr. Arthur Mills.
Mr. Muntz.
Captain O'Beirne.
Mr. Denzil Onslow.
Earl Percy.
Sir Henry Wolff.

COLONEL HENRY JERVIS-WHITE-JERVIS, IN THE CHAIR.

Sir FREDERICK JAMES HALLIDAY, K.C.B., called in; and Examined.

Sir *F. J. Halliday*, K.C.B.

24 July 1877.

Chairman.

1260. YOU were for many years in India in the Civil Service of the Government of India?—Yes.

1261. And you there greatly distinguished yourself; and you returned to England in 1859?—I returned to England in 1859.

1262. Since that time you have been a member of the Council of India, have you not?—No, I did not become a member of the Council of India till the end of 1868, September 1868.

1263. I suppose you are aware of a letter that was addressed to the War Office from the India Office, on the 31st of June of this year, respecting the matter referred to us?—Yes.

1264. If you will kindly look at paragraph 4 of that letter, you will find this stated: "In reply (to the War Office letter) I am directed to state that no decision on these memorials has been communicated by the Secretary of State for India, and before stating the conclusion at which Lord Salisbury has arrived, I am to recall, for Mr. Secretary Hardy's information, the circumstances under which the claims have been put forward." I suppose we may conclude from that, that that is the first decision which the Secretary of State for India in Council has sent to the War Office since he has been in office on this matter; the words he uses are these: "I am directed to state that no decision on these memorials has been communicated by the Secretary of State for India," meaning up to that date?—I apprehend that in the strict and technical use of the word the Secretary of State for India, was hardly called upon for a decision on these memorials. He came to a conclusion regarding the subject of them which he communicated to the Secretary of State for War; but if I apprehend the circumstances right it was thought that the decision, so to speak, upon the memorials themselves was more for the War Office and for the Commander in Chief than it was for the Secretary of State for India.

1265. That is the first distinct decision given by the Secretary of State for India on the matter of the memorials for the War Office?—No, it is the first decision of the Secretary of State upon the question as to how the majors promoted in 1872 should in the future be paid; and of course indirectly it gave an opinion upon the claims of the memorials.

Chairman—continued.

1266. But is not that letter entirely in reference to the claims which had been forwarded on from the War Office with reference to the arrears of pay, and not with reference to the future?—No doubt; the last paragraph expressly says that the case has been considered, and that "he cannot admit the validity of the claim."

1267. Will you kindly look to paragraphs 5, 6, and 7. Paragraph 5 is as follows: "When in 1872 it was decided by the Secretary of State for War to submit for the approval of Her Majesty four Warrants for improving the condition of the officers of the Royal Artillery and Royal Engineers, the Secretary of State for India directed that the attention of the War Office should be drawn to the immediate effect which the proposed measure would, if given full effect to in India, have on Indian finances, by making an addition of upwards of 50,000 *l.* a year to the Indian military expenditure." Those Warrants, we have it before us, were not sent in to the India Office until the 15th of June 1872?—Yes.

1268. Paragraphs 6 and 7 are as follows: "In reply, Mr. Cardwell observed that the financial arrangements of India and the military allowances are in the control of the Secretary of State for India in Council, and if the allowances are too large, the Secretary of State in Council can reduce them, only considering the opinion of the Secretary of State for War, so far as the fair position of officers of the British Army may require. In this particular case of majors of Royal Artillery, which Mr. Cardwell gave the Duke of Argyll to understand was under consideration, Mr. Cardwell believes that the contract allowances of captains of mounted batteries are so beneficial, in a pecuniary sense, to the holders, being much in excess of what is required for the efficient maintenance of the batteries, as practically to make the emoluments of the field artillery captains greater than those of a major of the line, and he sees no reason, therefore,

Sir *F. J. Halliday*, K.C.B.

24 July 1877.

Chairman—continued.

therefore, why, if the rank of major shall be established in the Royal Artillery, the expense to India need be increased by the sum of 50,000*l.*" Now the Warrants not having been sent in till the 15th June, these letters, above referred to, are of the 5th and 8th of February 1872; and it appears rather strange that they should be put in as a reply, as it were, to the Warrants which were not sent in for some months afterwards?—You have taken me back from the letter of the 13th of June 1877, to what letters?

1269. To the letters of the 5th and 8th of February 1872; paragraph 6 refers to the letter of the 5th of February, and paragraph 7 refers to the letter of the 8th of February?—I am not sure that I understand the question. The 5th paragraph quotes Mr. Cardwell's observation.

1270. The 5th paragraph refers to the four Warrants which were sent in, but those Warrants were not sent in till the 15th of June; paragraphs 6 and 7, which appear to be a reply to the sending in of those Warrants were letters written some months before?—Perhaps it would be better to turn to the letters themselves; they are not in the Parliamentary Paper before me, containing the letter of the 13th of June 1877.

1271. We have had them in evidence several times, and they were admitted by General Pears. It seems strange that letters written some months back should be put in, as it were, in reply to papers which were not forwarded till the 15th of June?— That is to say, that you think it strange that in February any allusion should have been made by Mr. Cardwell or the India Office to Royal Warrants which had not yet been formally sent to the India Office; is that the nature of the question?

1272. No; it appears to me strange that the letters of the 5th and 8th of February should be referred to as being, as it were, a reply to a document not sent in until the 15th of June?—I think I should understand it better if I saw the letters. (*Parliamentary Paper, 258 of 1875, was handed to the Witness.*) The first letter is dated the 5th of February, and the second letter to which you allude is dated the 8th of February. You are examining me, I understand, now upon those letters, not the letter of 1877.

1273. They are put as being the reply to a letter that was not forwarded until the 15th of June?—I understand the point now. I am unable to see that there is any strangeness or contradiction, if you assume (which I do assume), that the Duke of Argyll and Mr. Cardwell had been in communication about this warrant before those letters were written. That I understand to have been the case. I distinguish between the Duke of Argyll as Secretary of State and the Duke of Argyll as Secretary of State in Council. I assume, indeed it is obvious from the nature of the correspondence, that the Duke of Argyll either personally or through the Military Secretary, Sir Thomas Pears, was in communication with Mr. Cardwell about these warrants. I think that also has been stated in evidence, as far as I heard.

1274. Lord Cardwell says so in his letter?—It is a fact that we may assert and assume, and that probably accounts for their being quoted before the warrant was actually and formally before the India Office.

1275. From paragraphs 8 and 9 of that letter

Chairman—continued.

of the 13th of June 1877, it would appear that Lord Cardwell was a party to such of these officers as were in India receiving no increase of pay whatever, would it not; it would appear, would it not, that that was the impression when that letter was written by the Secretary of State for India in Council, that Lord Cardwell was a party to these officers receiving no increase of pay whatever?—No, I certainly do not read it so, and I certainly never understood it so at the time that this letter was determined upon. All that Lord Cardwell was a party to was, that which it was in his power to do, namely, to alter somewhat the rate of pay, that he had first proposed to give to the newly promoted majors in consequence of an understanding, of which I know nothing, but which seems to have been come to between Lord Cardwell and the Duke of Argyll, that so altering his Warrant would facilitate the measures which the Duke of Argyll proposed to place before the Council. That is all that I can say upon the subject; I know no more.

1276. But you do not consider that from that letter it would appear as if Lord Cardwell, whatever his authority might be, had agreed that these officers should receive no increase to their pay in India?—Certainly not; it never occurred to me that the agreement of Lord Cardwell in such a matter could be sought or expected. In our view of the case, it would be a matter entirely beyond his power, one over which he had no authority.

1277. I am merely referring to the way in which those paragraphs were worded, and asking whether it would not tend to make one think so; I am supposing a person knowing nothing whatever about the matter, but simply reading that letter, and my question is as to whether that is not the inference they would draw?—I cannot answer for anybody else; but knowing myself what was the intention, I certainly should not draw that inference.

1278. A letter was written to Lord Cardwell on the 11th of July, after the issue of the Warrants, informing him that these officers would simply receive the pay which they then had; and Lord Cardwell, on being asked the other day why he did not reply to that letter, stated that he did not think it was the final decision of the Duke of Argyll, and he referred to a subsequent letter written to India, in which there was a certain increase given to the garrison batteries as a proof of that; now had the Duke of Argyll finally made up his mind that these officers should receive no increase of pay whatever?—I should like to refer to the letter you speak of, the letter of the 11th of July

Lord *George Hamilton.*

1279. Perhaps before answering the question you will look at the answers which Lord Cardwell gave to Questions 124, 125, and 126 (*handing the Evidence of Lord Cardwell to the Witness*)?—Speaking, generally, certainly the Duke of Argyll in Council had made up his mind.

Chairman.

1280. You are aware of a letter addressed by the Governor General of India in Council to the Duke of Argyll on the 15th of May 1873, which you will find at page 10 of Parliamentary Paper 258, in which the Government of India urged on the

Chairman—continued.

the Secretary of State the fact that officers of engineers doing regimental duty received no contract allowance, that the increase of 70 rupees to garrison batteries still left them with far less pay than majors of infantry, and advised that the contracts should at once be taken over by the Government; if he had made up his mind, would he not have stated in reply, that, having decided that there should be no increase, that was a reply to that letter?—It was in July 1872 that the Duke of Argyll in Council had made up his mind that on the whole he saw no necessity for giving any increase of pay in consequence of the increase of rank to the majors of artillery and engineers. It was on the 15th of May 1873 that the Duke of Argyll received the letter upon which you are questioning me, which letter no doubt suggested an entire alteration of system; it suggested that the contract system should be abandoned, and that having been abandoned the majors should then, and from the time of the abandonment and alteration of system, be placed upon the pay of their rank. It does not appear to me at all natural that the Duke should upon that say, "I will make no change in 1873 on your recommendation (which is an entirely new recommendation, you will observe), because I had come to a different conclusion in 1872." On the contrary, he held his mind open, and he said, "I will take your letter into consideration, and I require further financial information before I decide upon it." That was the course, and it appears to me a perfectly natural and proper course to pursue. You ask me why he did not reply in one way, and I answer by showing you why he did reply in another way.

1281. And therefore he had not laid it down as a strong and fast line?—A man may have laid down a very strong and fast line in one year, which he may see some reason to reconsider if other reasons and other arguments, and a new state of things are put before him in the year following.

1282. The Duke of Argyll left office in the January following?—Yes.

1283. And therefore he left before any reply could be received?—He did.

1284. And he had no opportunity of stating what view he might take under those circumstances?—Quite so.

1285. Now may we take it as a fact that the India Office at that time was really in a state of ignorance in respect of the financial bearings of this contract system upon the finances of India?—Surely they were in a state of ignorance. There was a question, there is even now a question, as to the amount of profit made by these contracts; there was a question, and there is even now a question, whether financially it was an advantage to the Government or not; and without further inquiry, the Duke of Argyll, in Council, could not feel himself justified in making an important alteration in a system which had prevailed in the Indian army since its first establishment.

1286. Do you know, or has there come before your notice as a member of the Council, any case of any British officer being promoted in India, and not receiving the pay of the rank as laid down by the Indian regulations at that time?—I have been told of two such cases in India, and one such case in the English Army, on the authority of the military functionaries in the India

Chairman—continued.

Office. One case related to a promotion of lieutenants a good while ago, with the details of which I am not acquainted, but I was informed that it was a case precisely in point. Another was the promotion of majors of artillery in 1858 to lieutenant colonels when they did not as a necessary consequence receive the pay of lieutenant colonels, but a large proportion of them for a considerable time, many years, received the major's pay, which they had received before as majors, although they were in rank and position lieutenant colonels.

1287. But you only know from having heard it?—I know it from such sources of information as are open to me in the office. I naturally asked the very question when this matter was before us that you have now asked, and I was told that those were precedents.

1288. Then did you know that in those two cases the Government of India were following most closely the English Warrant with reference to the pay of the British artillery officers, in order to put them upon an exactly equivalent footing with them?—I was told that that formed a still stronger instance, because it showed that under Royal Warrants in Great Britain officers might be promoted to a higher rank, and yet not receive the pay of that rank. No doubt it was done in India in order to assimilate the ranks, and to prevent one officer being superseded by another; but the fact remains that that promotion took place without a corresponding increase of pay.

1289. But the officer in India received the Indian pay corresponding to that of the officer in England?—He received the pay of major, which he was receiving before; so did the majors promoted in England; each received the pay that they had been receiving before, although that pay was then considered to be the pay of majors, and they were promoted to be lieutenant colonels; and that condition of things lasted through many years.

1290. But still the pay in India was the pay equivalent to the pay of the officers in England?—It was much more, as is always the case; the officers in India, as you know, are paid not only their pay proper as it is called, the pay that they would receive in the same rank in England, but they are paid in a manner that makes their total allowances more than double what they would be in England.

1291. But the pay in India was, so to speak, proportional to the pay in England; that is to say, that officers on major's pay in England got major's pay in India, and officers on lieutenant colonel's pay in England got lieutenant colonel's pay in India?—In ordinary cases.

1292. But in that particular case?—No, because these officers who were made lieutenant colonels did not receive lieutenant colonel's pay, but only major's pay.

1293. But are you aware that the fact was this: that two-thirds receive lieutenant colonel's pay and one-third major's pay?—Yes, quite so; therefore I qualified my answer by saying, "a considerable number of them;" I did not say the whole of them.

1294. The rates of pay in India are the same now, are they not, as they were a great many years ago?—Yes.

1295. Will you mention the English case to which you have alluded as a precedent?—The

 case

Sir *F. J. Halliday*, K.C.B.

24 July 1877.

Chairman—continued.

case in England was a precisely similar case, which I am informed took place so far back as 1827 or 1828, when majors of the Royal Artillery were promoted to be lieutenant colonels, and then they, or a considerable number of them, remained up to the year 1872 receiving only the pay of majors, though in rank they were lieutenant colonels.

1296. And when they got promoted in India in 1858 in the Indian service, they were put on the same footing as the English officers had been who had been promoted in 1827?—That may have been so.

1297. During the course of your individual career in India, where you have held such important positions, and especially in Bengal during the latter years you were there, you must have come across some of those artillery officers who held high rank in India in the service?—Assuredly.

1298. Did you ever hear it mentioned by any one of them that these profits, which are supposed to have been made from battery contracts, were considered a portion of their pay?—I cannot say that I ever remember it, except as a matter of very general conversation. Whether it took place with officers or others I know not; I cannot remember any conversation upon the subject.

1299. Now in paragraph 19 of the letter of the 13th of June 1877, you find this: "It is, Lord Salisbury thinks, unnecessary to enter into any disquisition in respect to the contract allowances, or the precise extent to which they were a source of profit to the officers holding them. It is an admitted fact that they were still beneficiary, though less so in 1872 than when the rates were originally fixed." Now, is it not the fact that this contract question has been the vital point in the whole of this matter?—It has had a very great deal to do with it, no doubt.

1300. The subject was not referred to in the letter addressed to Lord Cardwell on the 11th of July 1872, by the India Office, nor was it referred to in the Despatch to India of the 18th of July 1872; I think there is no reference to the contracts *per se?*—Not in words, but impliedly, certainly.

1301. They say, at least I have heard it said, that private letters sometimes accompany Despatches, do not they?—We know nothing of that, at any rate.

1302. I should gather from the reply of the Governor General in Council of the 15th of May 1873, that that would appear to be the whole gist of the matter. Lord Cardwell, when he gave evidence before the East India Finance Committee in 1874, dwelt very strongly on this point that he had been informed that the first captains of artillery in India held contracts so beneficial that they made profits enough to cover the difference between the Indian pay of a captain and that of a major; and he appears to have been under the fullest impression that if he made certain differences in the mode of paying these officers in England, these contracts would be put an end to, and that somehow or another these officers, having been promoted to be field officers, would be placed on the footing of them, and would receive pay equivalent to that rank?—May I see the answer which you allude to?

1303. In order to show his feelings on the subject, he refers to a reply which he made in the

Chairman—continued.

year 1874 to a question from the honourable Member for Kincardineshire, which is as follows: "I merely mention the circumstance that the increase was given in a form which did entail upon India a further charge; now with regard to the artillery majors, I distinctly understood that you had seen or been informed that the arrangements connected with the contract allowance would be so made as to enable the artillery major to receive the extra pay without entailing upon India any increased expense? and my reply was, 'No, I did not go so far as that; I stated the other day that I did not go to the bottom of the contract allowance question which it was no part of my business to do; what I understood was, in the first place, that it was our purpose to give to the commanding officer of a battery of artillery the rank of field officer, and that there were modes known to the Government of India by which, if we framed the Royal Warrant in the way in which we actually framed it, namely, giving a very slight increase of pay, and giving the rest as command pay, India would be able to accommodate her arrangements so as to avoid any considerable increase of expense, and my understanding, so far as I did understand it, was that the advantage to India would be acquired by a saving in that system of contract allowances;'" and he adds, "I adhere to that answer now." I ask whether that being the case, this question of the contracts is not a very vital point in the whole of the inquiry before us?—Of course, the question of contracts, I may say, has a very great deal to do with the discussion of this matter; but I must demur to the supposition that Lord Cardwell's private opinions as to what the India Office was likely to do can be quoted as in the least degree controlling our authority.

1304. No; allow me to put that perfectly clear; I am not quoting that for one moment for that purpose; on the contrary, he lays it down distinctly that he had interfered in no way whatever with the arrangements of the India Office as to finance in India; he merely gives that as what he had gathered?—He appears, upon some communication he had had, either with the Duke of Argyll or with Sir Thomas Pears, to have formed an opinion of his own as to what the India Office were likely to do. I can say no more than that. Of course, the India Office were in no degree bound by any opinion he might form. He was obviously in some degree mistaken in the opinion he formed.

1305. Now the officers in India seem to have attached a great deal of importance to what fell from Lord Cardwell in the House of Commons, with reference to their being put in the position of field officers, with a pay equivalent; and when the Despatch reached India, stating that they were to get no increase, they applied, through the military authorities, to have the matter considered. Now we have it before us that the Commander in Chief in India forwarded those memorials to the Government of India, for their favourable consideration. I suppose we may draw this inference, that when a Commander in Chief forwards such applications, and recommends them to the favourable consideration of the Government, he thinks that the officers are right?—No doubt. I have a very great sympathy with the officers in this case; and it is perfectly obvious that a very great sympathy has existed in their favour in India, particularly with the higher

Chairman—continued.

higher military authorities; and I cannot be in the least surprised at it. That sympathy, in which I greatly share myself, has undoubtedly, in the course of this correspondence, led the Government of India and the higher military authorities to deal with these memorials in a less summary way than I think in real prudence and just administration they ought to have been dealt with.

1306. Then when we find the Governor General of India in Council forwarding these letters on with the letter of the Commander in Chief for the favourable consideration of Her Majesty's Government, I suppose we may conclude that they also considered that these officers had a fair claim?—Did the Governor General forward them for the favourable consideration of Her Majesty's Government?

1307. You will find that on page 28 of Paper No. 258, in the letter of the 17th of April 1874, in which they sent home the details which were required by the Duke of Argyll; and if you refer to paragraph 15 of that letter you will find that they state this: "We think however that the expenditure is necessary, for as officers have been given a certain rank, they not unnaturally look to receive the pay of that rank, and the reply that the higher pay is not given because they are assumed to make a certain profit out of battery contracts will never be satisfactory to those concerned, while we do not consider that the contract system itself will for long be generally acceptable to officers of Royal Artillery;" can we draw any inference from that?—I do not think that you can on that state so broadly as you have done, that the Government of India forwarded these memorials for favourable consideration.

1308. If you will look at page 10 I think you will find in the words of the letter of the 15th of May 1873, "for the favourable consideration of Her Majesty's Government"?—"For the consideration," it was in the copy before me; which is a very different thing.

1309. Would you not consider that taking that letter, together with that paragraph 15, it means this: "It is no excuse to tell these officers that these battery contracts are part of their pay; it is no such thing, and we consider that they are entitled to the pay of their rank in addition;" that is what paragraph 15 means, is it not?—Of course you may put any gloss upon it you like, but that is not the gloss I should put upon it. At the same time I am perfectly ready to admit that there runs through the whole action of the Government of India (I believe for the reason that I have stated, because there is a natural sympathy with their officers, and the nearer they are to them the greater the sympathy) and through the whole of their conduct of this business a thread of favour to the officers' claims, although they do not distinctly support them, and although they even go the length of saying that they do not agree in the arguments by which these claims are supported.

1310. Would you kindly refer to that letter in which they state that they do not agree with their arguments?—I have not exactly finished what I was going to say. I was admitting that there runs a tone of favour, more or less expressed, throughout the whole of this correspondence on the part of the Government of India; and I account for it by that sympathy which I say I, myself, personally share in; but that is one of

Chairman—continued.

Sir *F. J. Halliday*, K.C.B.

24 July 1877.

the very difficulties under which the India Office very often labours in its administration of the public finances; and I desire particularly to call the attention of the Committee to this very important fact; it happens often to the Secretary of State in Council, in the exercise of the responsibility committed to him by Parliament, to do things sometimes disagreeable to the Government of India, often very disagreeable to the parties concerned; and (let me add) as disagreeable to the Secretary of State and the members of the Council as they can possibly be to anybody else. The members of the Council of India are closely connected with the officers in India, and particularly with the military officers, by blood and by friendship, and every feeling that can sway a man to the over-tender performance of his duty when the interests of the officers are concerned. This has its influence in the Council of India, and has to be striven against; and when the Council of India is forced, for the benefit of the people over whom it rules, and for the benefit of their finances, to do these painful things, contrary to its natural wishes and sympathy, which would be quite the other way, it naturally expects to be supported by the Parliament that gave it the powers which it so painfully executes.

1311. You referred to the fact that the Government of India had differed with the arguments of some of these memorials; will you kindly refer to page 21, where there is a letter from Simla, dated the 14th of May 1873; it is addressed to the Adjutant General by the Secretary to the Government of India, and is as follows: "Sir,—With reference to your letter, No. 296 G., of the 27th December 1872, forwarding memorial from certain officers of the Royal Artillery, petitioning to be placed on the same footing as majors of Her Majesty's infantry as regards pay, I am desired to acquaint you, for the information of the Commander in Chief, that these representations will be at once forwarded for the consideration and orders of Her Majesty's Government. But I am to state that the Governor General in Council is unable to recognise that these officers have any right to consider that they have, as stated by Major Nicholl, any cause for misgiving or despondency, and his Excellency in Council considers the use of such terms by an officer of the army, in a communication addressed to superior authority, to be highly unbecoming, and I am to request that the expression of this opinion may be communicated to Major Nicholl;" and if you refer to page 10 you will see that that is the letter to which you refer when you say that they differ from the arguments used. Now, that letter was made public, and this officer was reprimanded; but could these officers have drawn any other conclusion, having submitted their claims, and their claims having been forwarded by the Government of India, than that they had no right to any despondency in the matter, and that they might look forward to a satisfactory settlement of the matter?—That is one way of construing a rather infelicitous expression on the part of the Government of India. What I apprehend the Government of India really to have meant, the way I should read it, is, that an expression of despondency or misgiving is in itself unbecoming in an officer when he is submitting any kind of memorial to the Government, because he has a right to expect that, whichever way it is decided, it will be de-

Sir *F. J. Halliday*, K.C.B.

24 July 1877.

Chairman—continued.

cided justly. If the Government of India had had at that time pointed out to them that the expression was liable to be so construed as to mean "Do not be afraid, you are sure to get it," I think they certainly would have altered the expression; but I cannot myself read it in that sense.

1312. The names attached to these documents were those of Lord Northbrook, Lord Napier of Magdala, B. H. Ellis, H. W. Norman, A. Hobhouse, E. C. Bayley, and J. F. D. Inglis. Do not you think that such men would not have signed such documents without having duly considered what the effect of their decision might be on the finances of India?—Assuredly they would not; at least I should hope not. I have no reason to suppose that they would.

1313. Now with reference to this question of contracts, when the letter of the 17th of April 1874 reached the Governor General of India in Council, and the enclosures which they forward from the Accountant General, showing that it was an error to suppose that those officers who had contracts made the large difference between the pay of a captain and that of a major (and they give various reasons; they say that a good many of these men were fresh from England; that prices had risen, and other matters); do not you think that when the India Office received that information it was worth while their considering what loss these officers might really have been at between the year 1872 and then?—The meaning of that question I apprehend to be, do I not think that the India Office ought to have done something which it did not do. Of course I do not think so.

1314. Between 1869 and 1872 there was a great deal of correspondence between the India Office and the War Office with reference to matters of military detail in India, was there not?—A great deal.

1315. And some of it not, perhaps, of the pleasantest kind?—Well, things were said strongly, but I think decorously.

1316. I think Lord Salisbury in 1874 stated that some letters were rather stronger than what he could have written himself?—No doubt some very strong and startling remarks have been made on the India Office, and the India Office in repelling them may doubtless have expressed itself with very natural warmth.

1317. I am not going into any one of these details, nor the merits of any question then at issue; but you hold a very high position, and I think it is a question which perhaps may fairly be put to you, was not this Despatch from the Duke of Argyll stating that these officers were to receive no increase of pay, intended at that time as a check on the War Office, to show the authority of the Secretary of State for India in Council as against the authority of the Secretary of State for War?—I do not think it had quite so petty a meaning as that. No doubt amongst other motives for taking the course which the Duke of Argyll in Council took, there was this to express distinctly that in this, as in all other similar cases, he was not bound by the decisions of the War Office; but I do not think that if he had imagined it to be just to give what he did not give, he would have withheld it for the purpose, to put it shortly, of spiting the War Office.

1318. But to a certain extent there was a certain leaven of that in the decision?—No doubt

Chairman—continued.

we are continually upon the defensive with the War Office; it is one of the greatest difficulties under which we labour, and one of the greatest dangers which hang over us; we are continually and at all times pressed by the consequences of measures or suggestions from the War Office, and not the War Office only, but other Government offices, which threaten largely our finances, and upon which, therefore, we are obliged to be continually on the defensive.

1319. The case at issue is rather a peculiar one as far as it comes to my mind; the Mutiny Act is in force in India as well as in England, I think, and consequently the Articles of War have equal force in India as they have in England?—That is a legal question which I do not feel myself quite competent to enter into. I suppose it is the case, or at all events there is some similar Act in India which performs the same service.

1320. It is in the Act itself, and is considered so by all the courts of law, I think?—Now the 178th Article of War says this: "In case of any doubt whatever as to the proper issue of pay, it may be withheld until our orders respecting it shall have been signified by our Secretary of State for War." On the other hand, the finances of India are entrusted to the Secretary of State for India in Council. We have, therefore, this consequence, that the Government of India for the first three years forwarded these claims to the India Office, and they have continued, more or less, to do so up till recently; on the other hand, the India Office kept writing that they should have gone to the War Office, and when at last they did so the Secretary of State for War had no power to deal with them; and for two years more the War Office kept forwarding them on to the India Office, and then these officers are bandied about from the War Office to the India Office, from the India Office out to India and back again; and, as we have it in evidence before us, no decision was arrived at till the 13th of June 1877. I do not wish to impute anything against the India Office; nor am I going to admit anything against the India Office. I was going to say, as regards delay in getting a positive answer to their memorials, the officers have something which is, after all, very little more than sentiment to complain of. If ultimately all the memorials had turned out to have had any foundation, and their claims had turned out to be just, then, no doubt, unless full compensation was made to them up to the date of the memorials, they would have had a real and serious ground to complain of the delay. As it is, their memorials being, in my judgment, entirely untenable, I do not see what it practically and substantially signifies to them whether they are rejected in 1872 or 1875.

1321. Or in 1877?—Or in 1877, or whenever you will.

1322. You are acquainted no doubt with the Report made by the Committee on East India Finance in 1874; they divide the charges in India in two ways, and they say, "Secondly, granting that India ought to pay for that portion of the British Army which is stationed in India, together with the necessary stores and transport, the expense of recruiting and depôts in this country," &c.; and then on the next page they say, "Your Committee cannot lay down too strongly the position, that the English estimates ought not to be relieved at the expense of the Indian revenues, but that the Secretary of State for

Chairman—continued.

for India in Council has the constitutional right of refusing to pay for objects in which he considers that India has no interest. At the same time India, as a component part of the empire, must be prepared to share in the cost of a system, the expense of which may be enhanced for Imperial purposes." Do you differ with that?—No; but in saying that, a very large controversy arises upon the manner in which these words may be applied; but as a general statement I do not differ at all. This is as to Home charges.

1323. They pay a portion of the Home charges on artillery, do they not, the same as on the other charges?—They do.

1324. And they made no objection to paying the English major's pay in England?—I am not aware of any objection having ever been made.

1325. Now do you not consider that India has to bear its proportion of expenditure on the army so far as the 60,000 men guarding India are concerned?—That is a very large question indeed, and is a question that is still under frequent discussion; that involves a claim which has actually been, I will not say made, but on very high authority, suggested as likely to be made upon the India Office, that whereas a third of the British Army, speaking roundly, is quartered in India, therefore India should pay a third of the whole expenses connected with the British Army in all parts of the world for all purposes, for training, for education, for pensions, for hospitals, for head-quarter staff, for the Commander in Chief, in fact, roundly, a third of the whole expenses of every kind and sort whatever. That claim has been very distinctly shadowed forth as not unlikely to be preferred against us; and against that claim we have made in reply the very strongest remonstrance in our power; and at present that has been dropped, but I do not know when it may be urged again.

1326. I had no idea whatever of raising that large question; I was simply referring to the pay of the 60,000 men in India without reference to depôts or anything else, or any extra expenditure; simply the 60,000 men in India. You think that a fair charge on the India revenues that they should pay?—I do.

1327. The artillery form a very considerable portion of that army, do they not?—Yes, no doubt.

1328. I think there are 12,000 artillery men; their officers are a permanent part of that army, are they not?—No doubt.

1329. Do you not think, therefore, that officers of artillery, whatever their rank may be, are fully entitled to be on an equivalent footing with the other officers of Her Majesty's army serving in that country?—As a general proposition, I should have nothing whatever to say against that; it is open to exception in particular cases, and this case is one.

1330. The India Office have taken exception to it in this one case?—Yes.

Mr. *Arthur Mills*.

1331. In answer to questions which the Chairman put to you just now as to the delay which had taken place, or the alleged delay which had taken place, in this matter, you said, at least I understood you to say, that if the claim itself was an untenable one, if it was eventually one which would have to be disputed, or at all events not to be admitted, you did not think it very much mattered whether the answer was given in 1873 or in 1877?—That was the conclusion of an answer which commenced by saying that I thought that the officers had something to complain of in the delay which had taken place.

Mr. *Arthur Mills*—continued.

1332. I think in your answer you implied, if I understood you right, that you, as a member of the Council, regarded them, and the Council of India in England generally regarded themselves, as the guardian of the Indian revenues, to protect them against anything like an improper application of them to any purposes?—It is our special and particular function.

1333. Now, if any correspondence or communication took place between the Duke of Argyll and Mr. Cardwell in 1872, or at any other time, I apprehend that that would in no way bind you, or bind the Government of India, unless the proposition had been submitted to the Secretary of State for India in Council?—In no way whatsoever; and I would add to that, that I would wish it to be borne in mind that the powers that are given to the Council in regard to expenditure are powers which may be, and no doubt were intended sometimes to be, exercised against the Secretary of State for India himself. It is quite conceivable that the Secretary of State for India, acting with his colleagues in the Cabinet, or swayed by one or two of those in the Cabinet, might propose to put upon India charges which the Council thought were unfit; in that case the Council have a right, as against the Secretary of State himself, to forbid it.

1334. And I am right, then, in supposing that no charge whatever, small or great, can be made upon the revenues of India without the consent of the Council?—No charge, small or great.

1335. One word with reference to these contract allowances; did I rightly understand you to say that at present no positive conclusion had been arrived at as to whether they were or were not beneficial to the Indian revenues?—What I said was that it had been a matter of contention during the whole of this discussion whether the contract allowances were as beneficial as some supposed, and that it was a matter of controversy still.

1336. May I ask whether, from your knowledge of the subject, it has been so far brought practically under your consideration as to enable you to form any judgment on that question, as to whether the contract allowances were on the whole financially advantageous to India; financially a good bargain for the Government of India?—That is a thing that must be, I think, experimented upon; and that can hardly be judged of beforehand. My own notion would be that the Government will probably, in the long-run, especially as compared with much earlier days, be losers. Governments can never manage these things so economically as private individuals; and on that ground alone I should expect the Government to lose, and I daresay they will lose. I think the calculation is that it will cost them 30,000*l.* additional; but it is purely matter of experiment. I do not believe that anybody can say beforehand whether it will be a gaining or a losing concern.

1337. We have had evidence before us that, on the whole, these contract allowances were advantageous to the officers; have you any

Sir *F. J. Halliday*, K.C.B.

24 July 1877.

Mr. *Arthur Mills*—continued.

knowledge in reference to that, whether the officers found them so?—I have, in the first place, that general knowledge which one acquires in the course of life in India, where I have always understood, and been in the habit of taking for granted without inquiry, that the officers made considerably by the contract allowances. Then I have before me the evidence which was given before the Committee, and which I had the opportunity of hearing of an officer of the artillery, who said that, one year with another, he made 300 *l.* a year by it. I also heard Colonel Radcliffe say that he, though opposed to the system, was always a gainer by it. And I know that when in particular batteries during the existence of the contract system, it was determined that the Government should, for particular reasons, maintain them itself, instead of giving them by way of contract to the officers, then, in compensation for the loss which the officer thereby sustained, an allowance, which was called a "command allowance," was given him of 250 rupees a month, or 300 *l.* a year; that was the case in four batteries; showing what the Government, and the officers themselves, and those best acquainted with the subject, thought of the probable gains of a contract at that time. The Government of India also itself in this correspondence has reported upon it; and though it says that it is difficult to ascertain the precise facts, it reckons it in one place at, I think, 250 rupees, or 300 rupees, a month, and later on it estimates it at from 150 to 200 rupees, or perhaps more (I think that is the expression); avowing, at the same time, that it is matter of estimate, and that the facts cannot be accurately ascertained.

1338. In reference to the mode in which officers in India having grievances should approach the Government, Lord Salisbury, in a letter which was addressed by him to the Governor General in Council, and has been laid before Parliament, that letter, to which reference has already been made, dated the 9th of July 1874, uses these words: "It may be quite proper that questions affecting British officers, as holding appointments conferred upon them at the pleasure of the local Government, should be addressed through the Commander in Chief to that Government; but it would be obviously extremely inconvenient to sanction the introduction of so novel a proceeding as that of officers of British regiments temporarily employed in India appealing to the Government of that country, and through them to the Secretary of State for India, upon subjects relating to pay, or other privileges, due to their regimental position." Now, I would ask you whether you agree with that proposition so laid down by Lord Salisbury?—I think I do. I am not an authority upon military etiquette, or rules of that sort; I have not given them much attention; but as it is read to me there, it appears to me to be correct.

Sir *Henry Wolff*.

1339. May I ask you if you are aware of any circular issued by Lord Napier of Magdala, as Commander in Chief in India, to the officers in the artillery, requesting them not to make use of the press to further their claims?—No, I am not aware of any such circular.

1340. If such a circular had been issued, under

Sir *Henry Wolff*—continued.

whose responsibility in this country would it have been issued; I mean, which department would have been responsible for it, the War Office or the India Office?—It is a question which I cannot answer at all. I have no knowledge of the sort of things that are done. I am speaking under correction, but I take it that what the Commander in Chief in India does as Commander in Chief, that is to say, with reference to the discipline of the army, he does in responsibility to His Royal Highness the Commander in Chief in England; I think you will find that it is so.

1341. But this question was not one entirely of discipline, inasmuch as it was referred to the War Office; and, if you will allow me, I will read you a paragraph from a letter written by Colonel Johnson, the Military Secretary of the India Office, to the Under Secretary of State for War, on the 13th of June 1877, in which he says this: "Though ordinary claims made by officers of British corps for pay or other allowances, due under regulations in force in India, may fairly be made through the local authorities, it does not seem to Lord Salisbury desirable or convenient that the reply to these special memorials of officers of the Royal Artillery and Royal Engineers would proceed from any other authority than the War Office; and I am therefore desired to convey to Mr. Secretary Hardy the conclusion at which, after giving the subject its full consideration, Lord Salisbury has arrived." Are you not of opinion, after hearing that paragraph, that the India Office considered that this question of the pay of the majors was a question at any rate to go through the War Office?—Yes.

1342. Therefore, if it was a question to go through the War Office, it was not a question of discipline?—The question of the pay of the majors is one question, and the question of how the officers were to enforce or present their claims is a totally different question; the one relates to discipline, and the other does not.

1343. Then two different departments would be concerned in it?—Yes, according to the nature of the case.

1344. And there is no one department to centralise it?—I beg you not to assume, because I have said that it would go through the Commander in Chief, that therefore it is so; I am no authority whatever on the subject.

1345. Now the Chairman has read to you from page 21 a kind of reprimand that was given to Major Nicholl for the terms of his memorial, a memorial which was addressed to the Secretary of State for India, and that was forwarded, amongst others, to the Duke of Argyll by the Governor General in Council?—Yes.

1346. Therefore, as far as I understand, the case of these officers is thus divided, that the Governor General in Council sends home their memorials to the Secretary of State for India; that the Secretary to the Government of India, not the Commander in Chief, but the Secretary to the Government of India, under the authority, I suppose, of the Governor General in Council, censures an officer for the terms in which he addresses the Secretary of State for India; that the Secretary of State for India considers that the Secretary of State for War is the proper channel for these documents; and the Commander in Chief in India, apart from the Secretary of State for India and the Secretary of State for

Sir *Henry Wolff*—continued.

for War, writes a circular to them to beg them to take some other means of urging their claims?—Does he?

1347. Assuming this circular to be a fact?—I am unable to assume that; I know nothing of it.

1348. You decline to admit that circular?—Quite.

1349. But you grant me the other three cases, that is to say that, in the first instance, the officers send in their memorial to the Secretary of State for India; the Secretary of State for India says that it should go through the War Office; and meanwhile the Secretary to the Government of India, Colonel Burne, with the authority of the Governor General in Council, censures an officer for the terms of that memorial?—The officer in question submitted to the Government of India a memorial to the Secretary of State for India, which of course he desired that the Government of India should forward to the Secretary of State. If there was anything unbecoming or contrary to sound discipline in such a memorial I can see no reason why the Government of India should not point it out to the officer, and every reason why they should, without any reference to the correctness of the channel that the officer had chosen to adopt.

1350. Then we will reduce it to two points, that these memorials were sent by the Indian Government to the Secretary of State for India, and that the Secretary of State for India considered that they should go through the Secretary of State for War?—It is so.

1351. Does not that rather point to an absence of harmony in arrangements concerning the army between the Secretary of State for India and the Secretary of State for War?—The Secretary of State for India stated to the Government of India that in his opinion those memorials ought not to have been forwarded to him. At page 24, in paragraph 3 of the letter of the Duke of Argyll to the Governor General in Council, he states his opinion that the memorials in question ought to have been addressed to the authorities at the War Office through the Commander in Chief in India. That was the opinion of the Duke of Argyll in Council; but in reply, the Government of India intimated a difference of opinion in this particular case.

1352. Where is that?—In paragraph 4 on the next page, page 25: "We desire respectfully to represent that it seemed to us to come within our proper duties," and so on; so that there obviously was a difference of opinion on that head between the Secretary of State for India, and the Governor General in India.

1353. But then that is subsequently altered by Lord Salisbury's letter, of which the honourable Member for Exeter read you an extract just now, at page 32, paragraphs 11 and 12?—Yes; upon receiving from the Government of India their explanation of their view of the course that they had taken, and their justification of it, the Secretary of State (being another Secretary of State by the bye, and not the Secretary of State that wrote the first Despatch), undoubtedly modifies his opinion on that subject, and in the terms to which you make reference.

1354. But you do not draw any distinction, do you, between two Secretaries of State as regards what emanates from the office?—No, officially I can draw no distinction; but in accounting for a difference of opinion it is very valuable.

Sir *Henry Wolff*—continued.

Sir *F. J. Halliday*, K.C.B.

24 July 1877.

1355. But as to the actual state of things, a letter emanating from the office emanates from that office irrespective of the personality of the Secretary of State?—Yes, quite.

1356. Therefore the present rule, as laid down by the India Office, I suppose, is, what is laid down in this letter from Colonel Johnson to the Under Secretary of State for War, at page 5 of Parliamentary Paper, No. 297?—Yes.

1357. Has that been recognised and accepted by the War Office, are you aware?—I am not aware that they have made any remonstrance against it.

1358. Then are we to understand that henceforward all remonstrances as to pay and position of British officers serving in India are to be addressed to the War Office?—Through the Commander in Chief in India.

1359. That principle having been laid down, would it not be more natural for officers serving in India to look to the speech of the Secretary of State for War as sketching out their position, rather than to look to the speech of the Secretary of State for India which says nothing about it?—Only that the speech was before the letter.

1360. It was laid down after the speech?—It was laid down after the speech.

1361. Was it laid down on account of the speech?—Not that I know.

1362. Was this the principle upheld by the India Office previously?—I believe so. I can only say that it is probable they would have upheld it if any such case had arisen.

1363. Since the Secretary of State for War and the Secretary of State for India have existed, the belief of the India Office has been that all remonstrances that are addressed by British officers serving in India should be addressed to the Secretary of State for War and not the Secretary of State for India?—It appears certain that that was the belief of the India Office, and equally certain that it was not the belief of the officers themselves until they were so informed.

1364. Was it or not the belief of the officers that if they had trusted to the statement, or drawn inferences from the statement of the Secretary of State for War, it was their duty as officers serving in India, and wishing to observe all the forms laid down for their guidance, to approach the Secretary of State for War through the Secretary of State for India?—I do not perfectly understand the point.

1365. The officers in India are appointed to the army by the Secretary of State for War, and they receive their promotion from the Secretary of State for War; in India they receive certain augmentations of their allowances and pay, and they are for the time being under the authority of the Indian Government; therefore though their original appointment and their original existence as officers depends upon the Secretary of State for War, it would have been a natural inference for them in India that they should approach the Home Government through the Secretary of State for India, who was a member of the same Home Government as the Secretary of State for War?—I think it not at all an unnatural inference, and we know that it was the inference that they drew, for they did actually in this case approach the Secretary of State for India and not the Secretary of State for War.

1366. Therefore, what would have been the

Sir *F. J. Halliday*, K.C.B.

24 July 1877.

Sir *Henry Wolff*—continued.

case in this instance; supposing these majors had been promoted while in England, had been admitted to all the privileges of majors in England, and they then are sent out to India, when they arrive in India they find, without having been told by the Secretary of State for War, who knows nothing about it, but who had promoted them, that they are not to receive in India the analagous privileges of other majors in India, and of majors in England; would that have been the case?—You are alluding, of course, to the period between 1872 and 1875. No doubt an officer promoted to be major in this country would receive the English pay of major while in England; and going out to India he would immediately come under the orders which accompanied the sending out of the Royal Warrant, and would receive a great deal more than he was receiving as major in England, but still not so much as other majors were receiving in the same country.

1367. And as I understand that diminution would have been based on the contracts which were given to them, and supposed to be beneficial?—Partly on the contracts; not wholly on the contracts.

1368. On what other things?—There was a command allowance given besides contracts; there were two different sorts of command allowances given, and there were the contracts.

1369. But this would not have applied to officers who had not either command allowances or contracts; I understand that there are majors of artillery in India who have neither commands nor contracts?—We must say "were," because we are speaking of a past date; between 1872 and 1875 there were.

1370. A major, therefore, going out from England, and receiving in England the pay and allowances of a major, going out to India, and having neither a contract nor command money, would have been in an inferior position to other majors in the army in India?—He would have been in an inferior position to some majors in the army, but not to any majors in the artillery.

1371. But I am talking of majors not of the artillery?—Yes; he would have been receiving inferior pay, but in the same position.

1372. You made a little error, unintentionally, of course, and naturally almost. You said that Colonel Radcliffe had stated that he generally made a profit; now he was only in India a year, and he gives a special reason why he did make a profit, because his predecessor had left the battery in a good state?—But he had made a profit; that is all that I stated.

1373. But you now say that you think these contracts having been taken away from the majors of artillery will entail, or may entail, some additional cost on the Government?—Yes.

1374. You said about 30,000 *l.*?—That has been the calculation in India, but I myself believe that nothing but experiment will show what the precise financial result is.

Lord *George Hamilton*.

1375. Did I understand you to say, that the abolition of the contracts, irrespective of the increase of pay, would involve an increased charge of 30,000 *l.*?—No, always assuming the increase of pay.

Sir *Henry Wolff*.

1376. You say that the taking away of the

Sir *Henry Wolff*—continued.

contracts, and the adoption of the new system, will cost, or may cost, 30,000 *l.*?—Yes.

1377. Now, if that 30,000 *l.* is an additional charge to the Government of India what will make that addition, the pay or the contracts?—The loss in having to provide itself for the maintenance of these batteries instead of handing them over to other officers who provided for them more economically. But I am afraid I do not perfectly understand the question.

1378. I want to ascertain this: assuming that this 30,000 *l.* is a correct estimate of what the charge will be, how will that 30,000 *l.* be caused; will it be from an additional expense in respect of the contracts, or merely on account of the additional pay?—The whole thing taken together. On the one hand at present the Government give, or rather before the contracts were done away with the Government gave, a less pay, and they gave an allowance for the contracts; now it is intended to give a larger pay, and to take away the allowance for the contracts; and the question put to the accountants in India was: "What on the whole do you think this change of system, putting the one against the other, will cost?" and as I understand the letter of Mr. Kellner, he says he thinks it will cost about 30,000 *l.* a year; that is the way I read Mr. Kellner's letter.

1379. But may I ask, assuming that there was no increase of pay to the officers at all, would it be cheaper or dearer for the Government in India to take these contracts themselves, or to leave them in the hands of the officers? — Certainly, cheaper I should think, supposing there to be no increase of pay. It is not perfectly certain, because things done by Government are not done so economically as things done by private individuals; but when you consider that Government gave for the performance of this sevice what in the long run paid to the officers who received it a profit, then if the Government can do it on the same terms they must necessarily save that profit; and there is, by the supposition, nothing to set against it in the way of additional pay to the officers; but nothing but experiment will show whether that is the result.

1380. You think that there will be a saving to the Government on the question of contracts alone by their taking them into their own hands?—There may or may not be, because I doubt the economical working of those things in the hands of Government; but apart from that there ought to be a saving independently of the additional pay.

1381. Will they not have to give contracts to somebody else?—Upon very different terms; they will not give a contract to an artisan, for instance, or a manufacturer upon the same footing that they used to give it to the officer; they gave to the officer a certain sum of money, knowing that it was very much in excess of what would be required, and knowing that the excess was to go (properly and rightly) into the officer's pocket. they would never do that with an ordinary contractor.

1382. That may be the case; but they will have to give some profit to the ordinary contractor?—The contractor will get what he can, of course.

1383. In the ordinary process of trade there would be some profit to him?—Otherwise there would be no contract.

1384. In

Sir *Henry Wolff*—continued.

1384. In addition to that will you not have to employ additional officers to check these contracts?—That may be.

1385. Then having taken away these contracts from the artillery officers, you will have to give these contracts to laymen or civilians, who will make a profit, and you will have to pay some species of officer, commissariat officer, or whatever you like to call him, for checking the contracts?—I daresay.

1386. Therefore you will not gain very much by it; but were these contracts, may I ask, originally given, in your opinion, for the benefit of the Government or for the benefit of the officers?—For both. I believe at the time they were given it was thought on the whole better for the Government that it should be done in that way; and I think I heard General Smyth say that, in his opinion, it would still be cheaper and better for the Government to do it in that way. I daresay many officers who worked the old system think so still.

1387. These contracts, as far as I understand, were not given to first captains of artillery as first captains of artillery, but were given to anybody being in command of a battery?—I believe that was the case, but I am not good at these details.

1388. May I ask you, if you will allow me, what your position in the India Office is?—I am a member of the Indian Council.

1389. And the member of a committee of that council?—There are a number of committees of that council; there are half-a-dozen committees, I daresay.

1390. I want to come to this; are you a member of any committee having special reference to this question?—I am not, unless you consider the Finance Committee as having reference to it. The committee that has direct reference to this question, and which has dealt with it, is the Military Committee, to which I do not belong.

1391. You just now expressed an opinion to the following effect, that the Indian Council had the greatest possible sympathy with the officers in the army in India from relationship, and from friendship, and so on; I believe the officers in India affected by this question belong to the general English Army, do they not?—No doubt.

1392. I mean they are officers who are merely serving in India as a station, as they might serve at Ceylon, or Malta, or anywhere else?—Quite so.

1393. Did I understand you to imply that members of the Indian Council were more in connection with officers of the army generally than other persons are?—Many are very closely connected with the army generally; but with that part of the officers in India who belong to what we call the old army they are more particularly connected.

1394. And with regard to all these officers now affected, do they belong more particularly to the old army or the new army?—Undoubtedly, several of them; I think you will find the majority of them belong to the old army.

1395. There is no special reason why the Indian Council should be better affected to them than the House of Commons, is there?—Only that the Indian Council is composed of men who have spent their lives in India, and who have formed connections with India.

Sir *Henry Wolff*—continued.

1396. In refusing the prayer of these officers, I understood you to say it was not without some pain that you were obliged to refuse it?—Undoubtedly, I can so as a positive fact.

1397. And having undergone this annoyance, you conceive that Parliament should support you rather than upset your decison?—I said that in the exercise of a very difficult and painful duty like this, always supposing we exercise it properly, we look for the support of Parliament.

1398. But this Committee being appointed does not at all impugn your motives in the decision you came to?—Certainly not; I look upon this Committee as an instrument by which the support of Parliament may be, and I hope will be, obtained.

1399. You do not at all deny the right of Parliament to upset your decision?—Certainly not; it is a matter on which I am scarcely competent to enter; I submit that it is hardly a question on which I can give an opinion. Parliament is ominpotent here below, and may do as it pleases.

1400. I was not meaning to cross-examine you, but I think your words were rather susceptible of that interpretation, that inasmuch as the Indian Council had come to that decision, to a certain extent (I gathered this from your words), you thought that Parliament ought almost to be bound to support it?—I think that Parliament ought to be very cautious indeed in interfering with it.

1401. You said that that five years of delay in giving the answer to these memorials was really more of a sentimental grievance than anything else?—I admitted that it was a grievance, but I said it had more of sentiment than of reality in it, seeing that after all it was not thought in the Indian Office that their claims were tenable.

1402. But have you any reason to believe that they were thought tenable by any other department of the State?—Whatever you may find in these papers that may give you that impression, I do not see anything that shows that they were thought tenable. The Government of India expressly say that they differ from their arguments. I am not aware that anybody but the memorialists themselves thought their case tenable.

1403. Then you do not think that the military authorities, either in India or in England, thought their case tenable?—I have seen no evidence of it; it may be so.

1404. May I ask, do you think that this has been considered as a great grievance on the part of military officers who were not personally affected by it; has the withholding of this pay from these majors been considered a grievance by any officers outside the group who have been personally affected by it?—To answer that question I must consider with what officers I have ever spoken on the subject, and they would turn out to be very few; and I should have to consider whether they were officers in the artillery or in any other branch of the army; and on the whole I should be very much puzzled to give an answer to that. I am not in a position to say what is the general opinion of the army on the question, or to give any opinion that is worth listening to.

1405. Or the opinion which you hear from India, from your old friends; is it considered a grievance there?—I have really heard nothing from India from any of my friends on the subject.

Sir *F. J. Halliday*, K.C.B.

24 July 1877.

Sir *Henry Wolff*—continued.

I know it to be considered a grievance by Artillery officers.

1406. I will conclude by asking you this one question, whether you consider that the manner in which the military administration with regard to India is conducted between the War Office and the India Office is a satisfactory one?—It is a remarkably wide question. I have said that on the subject of finance we are not satisfied. I am not aware that on any other subject there is any difference. The War Office continually makes financial claims, or threatens claims, or does something that seems to shadow forth a coming claim, and we are always in apprehension on that score; but I am not aware that in any other matter there is any quarrel or complaint of the War Office existing at the India Office.

1407. I asked you a wide question with a view to save time; but if you will allow me to put it more precisely, I will ask you whether you do not think that some system should be adopted by which the officers of the army should know distinctly to whom they are to look for their position and pay?—No doubt if that is wanted it is very desirable that it should exist.

1408. But does not the misunderstanding which has taken place between the officers and the Government on this question show that something of the kind is wanted?—It shows that in this particular case there was a misunderstanding; that is all I can say. I do not know whether, generally, anything of the kind is wanted; I do not say it is not; it is beyond my ken and knowledge altogether.

1409. Do you think it is possible that this misunderstanding should be renewed?—If anybody looks at this correspondence they will not repeat the misunderstanding; but that a misunderstanding will not occur again I cannot say.

1410. Do you not think it desirable that a regular rule should be laid down, by which no change in the army should emanate which might affect the position of either officers or men in India without a clear understanding having been arrived at between the War Office and the India Office, which would enable the officers in India to look to the dictum of the Secretary of State for War as final?—I think it highly desirable that some system should exist which should bring the War Office and the India Office into more harmony regarding matters of finance; but beyond that my experience does not permit me to go.

1411. You think some system is desirable?—Certainly, the bringing the two offices in harmony as regards finance.

Mr. *Denzil Onslow*.

1412. As regards the questions which my honourable friend has been putting to you, I suppose you would consider that if there was a grievance in a certain class of officers, the feeling would probably be sympathetic on the part of their brother officers, whether justly so or not?—Very likely.

1413. Now it is not your province to go into minute details of these contract allowances, as a member of the Council?—No.

1414. But you have been cross-examined on this; and I should like to read paragraph No. 12 of Mr. Kellner's memorandum, Mr Kellner being Accountant General of the Military Department in India; it is at page 30: "The grant

Mr. *Denzil Onslow*—continued.

of Indian allowances of rank to majors of Royal Artillery and Royal Engineers would amount to 4,05,000 rupees (see paragraph 8), or say, roundly, to 40,000 *l.* per annum. By the modification of command allowances, and abolition of contract allowances, the payment of 4,50,222 rupees per annum would cease; but the State, in undertaking the services for which these contract allowances are granted, would probably expend an amount not exceeding three-fourths of those allowances, leaving one-fourth as a probable saving, viz., 1,34,634 rupees, including reduced command allowances, or say, roundly, 13,000 *l.* per annum. Deducting this from the 40,000 *l.* resulting from the grant of majors' pay to majors of the Ordnance Corps, we arrive at a net increased charge per annum of 27,000 *l.*, of which 13,000 *l.* will be payable in the Military Department, and 4,000 *l.* in the Public Works Department." As you have been cross-examined on this particular subject, I wish to ask you this, you have no means of knowing whether that calculation is right or wrong?—Not the slightest.

1415. The Indian Council as a body deal with everything connected with the finances of India?—They do.

1416. I should like to ask you when this particular subject came before you officially, if you have any recollection of it?—First, in the year 1872; I do not remember it before that.

1417. Are you aware how the information spoken of in paragraph 2 of the letter of the 5th of February 1872, of the Duke of Argyll, came to his notice?—I am in one sense aware of it, if I am correct in supposing that Lord Cardwell gave an explanation of how it did occur. I thought I heard Lord Cardwell say in this room that he had had communications with the Duke of Argyll and with Sir Thomas Pears previous to this letter, through which the Duke of Argyll and Sir Thomas Pears had come to the knowledge of this fact. I thought I heard Lord Cardwell say so, and which accounted for this statement.

1418. But as a body as the Council of India, you have no official information whatever as to when the Duke of Argyll made those remarks?—No, none whatever.

1419. Then, soon after those remarks had you, as a council, official information of what the Secretary of State for War intended to do?—Going back and taxing my memory about details regarding which I am very uncertain, my impression is that it came before us first when the Secretary of State for War sent the Draft Warrant over for consideration, which was in June following.

1420. When you received official information of what the Secretary of State for War intended to do, would there have been time to have communicated with the Government of India, and to have received their opinion on the subject before the Warrant came into force?—Apparently not. I cannot answer for what Lord Cardwell might have done in the way of postponement if he had been requested to postpone it; but unless he had chosen to postpone the issue of the Warrant, there certainly was not time.

1421. You say if he had been requested; are there any papers to show that such a thing was done?—I do not apprehend that such a request was ever made to him.

1422. Do you not apprehend that it might be very

Mr. *Denzil Onslow*—continued.

very beneficial indeed to the Indian Council, (putting aside the question of the Council of India not being consulted), if sufficient time was given for the Government of India to be consulted when any new scheme or any alteration in any particular branch of the service is contemplated?—I should think it was very desirable, whenever it was possible to do it, that time should be given for the Government of India to be consulted before any great change took place affecting or likely to affect their finances.

1423. And I suppose the India Office, as a rule, if they had time, would always consult the Government of India?—Always.

1424. That being your opinion, and the contrary having often taken place, could you recommend any suggestion by which that difficulty could be obviated?—No, because it relates to the administration of the War Office, of which I know nothing; it would not be for me to say that in such and such a manner the administration of the War Office ought to be altered. I merely say that I should be glad if their method of doing business and the necessities of their business admitted of sufficient delay in the cases you have alluded to for communication with the Government of India; but it is impossible for me to say how far that could or could not be carried into effect.

1425. Then you think it must be the fact that often India may be left in ignorance of any charge which she is liable to pay, on account of the difficulty of the War Office giving this information?—I think it is quite conceivable that such a case might occur. It occurred in this particular instance, or would have occurred, if we had not intervened to prevent the expenditure.

1426. And therefore it very often might happen that the Government of India, reducing in India their military expenditure, would probably find out that that was more than made good by some recommendation emanating from the War Department?—I do not adopt the words "very often," but I think it quite conceivable that such occurrences might take place.

1427. I suppose the Indian council was consulted when the extra pay was given to the soldier?—Yes.

1428. Now had the Indian Government time then before that Warrant came into effect for stating their views upon the subject, and informing you, the Council of India and the Secretary of State for War, what would be the extra expense entailed upon India?—I am a little loath to state that merely on memory, but my impression is that the Government of India had an opportunity of expressing its opinions with reference to the additional 2 *d.* a day given to the soldier, the cost of which was estimated at 250,000 *l.* a year.

1429. Are you aware what the Government of India said on the subject?—I have not thought it necessary to refresh my memory upon the matter, and therefore I cannot say from memory what they did say.

1430. I put you this question, because, in my opinion, this increase to the expenditure in India on account of the action of the War Department is a serious thing, and it seems to me a matter of urgent importance that the Government of India should be first consulted before any large addition is charged on the military expenditure; therefore I should be glad to know, if you could tell me, what the Government of India said on that particular question?—I really cannot; but of course what they said could be called for and procured.

Mr. *Denzil Onslow*—continued.

1431. Is it your opinion that they could have refused that extra pay to the soldier serving in India?—If you mean to ask whether they had the power to do that, undoubtedly. The Government in India could hardly be said to have had the power, but the Secretary of State in Council had the power if he thought fit, but he did not think fit.

1432. Have you had any communication from India what the effect on the finances will be on account of the deferred pay promised by Mr. Hardy last year?—No; at least, if there has been a communication, I am not aware of it.

1433. Are you aware whether the Government of India was consulted in this case before the Warrant was issued?—I do not think they were; but this is all mere memory on my part, that is scarcely to be trusted.

1434. Are you aware of any complaint coming from any officer on account of the insufficiency of the contract allowances under the old system?—No.

1435. Are you aware whether there is a rule in India that no officer can communicate his grievances, if he has any, either real or imaginary, to the press?—I cannot answer for any precise rule, but I should think there was a clear military understanding.

1436. At all events if there was such a rule you would consider it wholesome for the discipline of the service?—A highly proper rule.

1437. But the question has never come before you in your official capacity?—No.

1438. You said incidentally that it had been suggested that India was to pay one-third of the whole of the military expenditure of this country. Could you tell the Committee how much that one-third would amount to?—I do not know what is the amount of the military expenditure of this country, but if you take that from any military return, and divide it by three you will get at it. I have not the figures at my command.

1439. Presuming that it is 15,000,000 *l.*, the one-third would be 5,000,000 *l.*; and that would be in addition to the military expenditure in India, would it?—No; an addition to part of it; but it would include what is now paid to the British soldier and British officer in India.

Sir *Henry Wolff*.

1440. Would it not be extra to the Indian allowances?—Yes, it would be extra to all Indian allowances, but it would include the present pay.

Mr. *Denzil Onslow*.

1441. Are we to take it that that proposal as to the third has come before you officially?—It has come before us officially.

1442. May I ask from what department?—From the War Office.

1443. Recently?—No, in 1872. Somewhere or other I have seen a Blue Book containing it; it was put before the East India Finance Committee in 1874.

1444. Since then you have had no further application?—No.

1445. And, I presume, you hope you will not get

Sir *F. J. Halliday*, K.C.B.

24 July 1877.

Mr. *Denzil Onslow*—continued.

get another such application?—Yes, we hope; but we rather suspect that we shall in some shape or another.

Sir *George Balfour*.

1446. I have been paying as much attention as possible to endeavour to see what grounds you had for not giving the Indian pay and allowances to the rank of major, or that rank being bestowed on artillery first captains?—The reasons in brief were assigned by the Secretary of State in Council in a letter to which I would refer you at page 9, dated 11th July 1872, from the Military Secretary at the India Office to the Under Secretary of State for War. The reason there assigned was briefly this: "His Grace desires me to say, however, that as the officers now holding the position of first captains in those two corps in India are liberally remunerated for their services in that country, he does not consider that any change in their present rate of Indian pay and allowances is called for by the proposed change of rank and designation."

1447. Therefore, we may take that as your own opinion?—Quite.

1448. What does "sufficiently remunerated," do you think, include?—It included the contract allowances, and all command allowances.

1449. And, therefore, you consider that the contract allowances were a portion of the advantages which an officer enjoyed?—Undoubtedly.

1450. You have been examined pretty closely on this subject; you are aware that the Government did it for their own convenience in respect to the contract allowances?—I am not the least aware why the Government did it; it was done before I was born, probably.

1451. Then, although you speak in those terms, you have not made yourself acquainted with the details of these contract allowances, as to why they were ever given?—No, I can only guess. It was done ages ago.

1452. I am coming down to a more modern period; you are aware that the authorities in England very strongly objected to the Royal Artillery receiving those allowances when they were sent out in 1857?—I am aware of that only from having heard of it, in conversation since this discussion arose.

1453. Then you have never studied this remarkable set of papers laid before Parliament, No. 216 of 1859, connected with the Artillery of India?—No.

1454. You know nothing about the details in this book (*pointing to the Blue Book*)?—No, nothing whatever.

1455. You are aware that the War Office and the Horse Guards strongly represented to the Court of Directors that they ought not to make the Royal Artillery officers execute the repairs of the batteries by means of money allowances?—I take it on your statement, that it was so; and I have heard otherwise, that it was so; I am not officially aware of it.

1456. You are aware that the Court of Directors ordered that supplies of stores should be sent out to enable the Royal Artillery batteries to perform the duties irrespective of those allowances?—No, I am not aware of that, but I will take it that it is so.

1457. Are you aware that another committee assembled at Meerut, strongly objected to these

Sir *George Balfour*—continued.

allowances; I refer to Sir George Barker's Committee?—Yes, I am aware of that.

1458. You are aware that Lord Canning had that subject under his consideration?—I presume he had, because he was Governor General at the time.

1459. You are probably aware that he objected to the contract allowances being abolished, mainly on the ground that at that time from the confusion and disorder which existed in India, both financially and with regard to the arsenals, it was highly inexpedient to do away with these contracts?—May I ask from what you are quoting?

1460. I am quoting from the papers which have been before the Indian office?—Have they been before the Committee?

1461. No, not before the Committee?—But am I right in commenting upon a statement which is not before the Committee.

1462. I am asking you a question as to how far you are acquainted with the existence of that opinion of Lord Canning?—How could I be? I do not even admit that it exists.

1463. You very properly reserve to yourself the right of seeing whether it does exist?—Yes.

1464. Are you not aware that Sir Charles Wood expressly ordered, as Secretary of State in Council, that the officers should undertake duties connected with the repairs of batteries?—If he did it was before I went into the Council.

1465. But with such a paper as I have referred to in existence, you would see that the Council of India, in connection with the Secretary of State, did enjoin upon the officers that duty?—If such a paper is in existence.

1466. Perhaps you will be good enough to try and ascertain at the India Office whether such papers do or do not exist?—Yes; if you will kindly give me a memorandum of what is actually required

1467. I refer to the papers sent home in 1861 and 1862, and the Secretary of State's orders in 1863?—I will endeavour to procure them.

1468. Therefore, seeing that the officers were enjoined to perform duties which were at variance with the wishes of their military superiors, is there not some consideration due to the officers in connection with these duties, in so far that they had duties entailed upon them, and that we have never been in the habit in India of requiring duties to be performed without giving some remuneration in some form or other?—I am not perfectly certain that I go with you in the nature of the question.

1469. Assuming that I am correct in saying that the Secretary of State for India in Council did place upon officers of Artillery batteries the duty of executing the repairs of these batteries, and that these orders were at variance with the wishes and views of their military superiors, is it not fair to give to these officers some consideration in the form of some allowances for the extra duties imposed upon them?—In the first place it seems to me that the question rests upon an assumption which I cannot follow. I know nothing at all about the opinions of the military authorities; I do not even know to what military authorities you allude, whether the Commander in Chief here or the Commander in Chief in India, or what were their opinions. It is almost impossible for me to answer a question which rests upon that assumption.

1470. Will you be good enough to refresh your

Sir *George Balfour*—continued.

your memory with the official papers?—It is not my memory that is in question; I have never heard of them.

1471. In the course of your examination you mentioned that you had been informed of precedents for the case of officers of a senior rank not receiving the pay of that rank; you have merely heard that from hearsay, I suppose?—From official information which I applied for in the office.

1472. Did you ascertain the circumstances under which that reduced pay, if I may so say, was given?—As far as I could. Are you speaking of the case of the majors in 1858?

1473. Yes?—I was told that the majors in 1858 were promoted to be lieutenant colonels in order that they might not be superseded by lieutenant colonels coming out from England in the same branch of the army, but that as it was not convenient to increase the charges on that account, though it was desirable to give rank to the officers, they were not given the pay of the superior rank to which they were then promoted, or at least a great number of them were not given that pay.

1474. Then your impression is that the rank of lieutenant colonel was given to majors of Artillery, but that it was not convenient to give the increased pay along with that rank?—Yes.

1475. Was that "convenience" the financial convenience of India or not?—I should suppose so. You are examining me upon a point long before I had even returned to England, and therefore I can only say what I have generally heard upon the subject.

1476. You were Lieutenant Governor of Bengal at that time?—Yes, and I had nothing to do with military matters.

1477. But I am examining you on the statement that you made; you have been told that there was a precedent in the case of the Royal Artillery lieutenant colonels for not receiving the pay of the rank?—Yes.

1478. And have you satisfied your mind upon that?—I satisfied my mind that it was a precedent closely applicable to the present case.

1479. Would you be surprised to find that the Indian authorities did actually give the pay and allowances of the superior rank at first starting?—Did they continue it?

1480. They did not continue it?—Then it comes to pretty much the same thing; they did it by mistake at first, and withdrew it. I do not know how that may be, as a fact; but it appears that in the long run they did not get it.

1481. Your great authority naturally attaches great importance to a statement you make, and and your statement was that the precedent of 1858 was a precedent for withholding the pay in the present case?—Quite.

1482. Are you aware, and if not, would you be surprised to learn, that the precedent was not an Indian precedent at all, but that the pay of the rank of lieutenant colonels for a certain number of juniors of that grade was regulated solely by a Royal Warrant issued in England, and not by any financial considerations with reference to India?—I certainly should be very much surprised; but I do not at the same time perceive its bearing upon the use I have made of the precedent.

1483. Your statement that you withheld the pay and allowances from a major of the Artillery

Sir *George Balfour*—continued.

first captains, on the plea that such an act or a similar act was done in former years has a very strong bearing on this case?—But I expressly said it was not done upon that plea; I said that it was a precedent, if it was contended (as it was contended) that no such thing had ever been done before. I said there was a precedent for it, but it was not done upon that plea; it was done, as I stated, because, quoting the words of the Duke of Argyll, he consided the officers "liberally remunerated for their services" at present.

1484. I have endeavoured to show that the liberality connected with the contract allowances was a liberality for work done; and now I am trying to lessen the importance of your precedent connected with the former case of the lieutenant colonels not receiving the pay of lieutenant colonels; and therefore I am asking you distinctly whether you are aware of the fact that the Indian Government acted in that instance, not upon Indian considerations at all, but purely out of consideration for the Warrant which had been issued in England?—I am not aware of the fact; but if it is a fact (which is not before me except by your statement), it seems to me to show that the Royal Warrant itself formed a most excellent precedent for what has been done.

1485. Then, to enable you to clear up your mind, I will ask you to refer to the Parliamentary Paper No. 216 of 1859?—I will refer to that.

1486. It is upon that ground, therefore, that I am asking you this: seeing that the Government of India did take advantage of a former Warrant, why should the Council of India not follow up the same principle, and take advantage of the Warrant which was issued in June 1872, to give to the first captains, on promotion to the rank of major, the pay and allowances of that rank?—Because, as I understand it, and taking your statements for accurate (which I have no doubt they are), the one Warrant, the example of which was followed, helped the Government to a saving, and the other Warrant would have forced the Government upon a charge; an excellent reason for taking one and leaving the other.

1487. Then the Council of India have no objection to the reduction of cost, but they object whenever any increase of cost takes place?—Naturally.

1488. Then, is it just and right, do you think, for the good order of the army, that the Council of India should in one case take one portion of the army, and pay that portion of the army in accordance with the practice of India, and that, in another instance, they should take a small portion of that army, and withhold from the officers the pay which the same rank in other branches of the army has received?—I have no doubt that each case can be justified upon its own merits; but I cannot pretend to put them into contrast, and draw any particular conclusion from the result of that contrast; each case can be justified individually on its own merits, I think.

1489. Then we have no fixed rule, you think, in India for doing these things?—No; if you mean by a fixed rule that there is a fixed rate of pay for every promotion, which must be given, whether the authority governing the country likes it or not, I say there is no such fixed rule.

1490. If you will refer to these papers, I think you will find that the Government of India did act upon this as a fixed principle, that whenever

Sir *F. J. Halliday*, K.C.B.

24 July 1877.

Sir *George Balfour*—continued.

an officer came to India with any portion of the regular army of England, that officer received the pay and allowances of the rank which it had been customary for India to give to the officers of the Indian Army in that rank?—That is a statement which I accept upon your authority.

1491. And accepting that statement, do you not consider that if that practice did exist in India, it would have been only fair and proper to have given to the majors of artillery, on promotion, the usual pay and allowance which India had been in the habit of giving to that rank?—No, I do not.

1492. And you think that the Council of India are fully justified, and that they have a right to exercise that power in saying that they will make changes in the pay and allowances of the army according to their own views?—There can be no possible doubt of that; as to their right, it is impossible for anybody to contest it; it is expressed in the Act of Parliament, and I have heard it enforced as strongly as possible in this Committee in the evidence of Lord Cardwell.

1493. The Act of Parliament you remember, I suppose?—Yes.

1494. Will you read the clause?—Yes; it is the 21st & 22nd Vict. c. 106, Section 41: "The expenditure of the revenues of India, both in India and elsewhere, shall be subject to the control of the Secretary of State in Council, and no grant or appropriation of any part of such revenues, or of any other property coming into the possession of the Secretary of State in Council by virtue of this Act shall be made without the concurrence of a majority of votes at a meeting of the Council."

1495. Is that the only portion of the Act upon which your authority rests?—As far as I know.

1496. And you consider that within the powers given by that Act of Parliament, the Council of India can say that they will withhold or give such pay and allowances as they see fit?—I go the full length of that as regards the legal right. As regards the moral right, which seems also to be implied in your question, I should say that, applying it to the officers of the army, the Council would not be justified in exercising their power to the extent of reducing an officer's pay below what was the pay of his rank in England.

1497. Then do I understand that this power can be exercised as a whole, or partially, for some of the army and not for others?—Unquestionably, there is no limitation in it.

1498. That in short the power of the Council of India is supreme?—In that matter certainly it is supreme, subject always, of course, to Parliament.

1499. Do I understand you to say that the Council of India have more power than the Court of Directors had?—I have no exact knowledge of what was the power of the Court of Directors; but I have a very exact knowledge of what is the power of the Council of India in matters of expenditure.

1500. And that in the exercise of the power which this Act of Parliament conveyed to the Council of India, this discriminating action of the Council of India in the case of artillery majors is quite consistent, you think, with their powers as well as with good administration?—I conceive with both.

Sir *George Balfour*—continued.

1501. May I ask whether you know of any instances where the exercise of that power has ever been put in force in the manner in which it has been done with regard to artillery officers?—No, unless that case which I consider a precedent but which you seem to doubt as a precedent be one, the case where the officers promoted to lieutenant colonels were not given the pay of lieutenant colonels.

1502. You are not aware that, in former days, the intervention of the authorities here to see justice done to the European soldier was brought into play in the time of the East Indian Company, and that an alteration took place then in the pay of the non-commissioned officers and men of the army?—I daresay it did, but I know nothing about it.

1503. If you had given up your attention to the whole of the various changes connected with the pay and allowances, no doubt that one point would have come under your view?—Yes.

1504. Are you aware that when the Royal Artillery went out to India, the Government there at once, in 1857 and 1858, made very important changes in their own Indian Artillery, in order to place them on an equality with the pay and allowances which the men of the Royal Artillery received who came from England?—I know nothing about it.

1505. I again refer you to the important document which I have already quoted to you, where you will find that the pay and position of the Indian Artillery were changed, and that the money which the English soldier was entitled to receive was given at once there, because it was in accordance with the Royal Warrant, and that the Government of India not only gave that, but gave to their own artillery an increase of pay and allowances?—That is a statement which you make, and to which I have no answer to make.

1506. If you accept it as a fact, does not that bear on your mind?—I do not like to accept as a fact a matter I have no knowledge of, and then draw any inference from that; it is too dangerous a thing.

1507. But if I give you a reference to these papers you will be able to refer?—I will look at them.

1508. I am rather anxious too to remove any misapprehension on another matter; you stated also with reference to those heavy field batteries that the allowance of 250 rupees a month was given in substitution for the contract allowances?—Yes.

1509. Now you endeavoured to satisfy your mind upon that, I suppose?—I inquired as to the fact and was told so.

1510. When I mention to you that I was the party who recommended it, you will perhaps accept my statement that the allowance was given not in lieu of the contract allowances, but for the increased duty which the officers had to perform, because elephants and bullocks in very considerable numbers were attached to these field batteries?—That no doubt is important evidence, but I have no answer to make to it.

1511. I am rather anxious to lessen the importance of your evidence, because you bring in important facts, which, if true, no doubt would sway the Committee; therefore, I am anxious to give you an opportunity of seeing that they are not quite correct; you have made no inquiries, have you, with reference to the increased charge and cost

Sir *George Balfour*—continued.

cost which the Government will have now to incur on account of increasing their arsenal establishments in India for the purpose of supplying stores for the repair of the batteries?—I have nothing before me but the papers which are here.

1512. From your former experience in India, large as it was, do you mean you have no means of knowing that by doing away with the money allowances, you necessarily imposed upon the arsenals of India very considerable duties for the supply of stores?—I should think it very probable.

1513. And in future in giving your mind to this subject, you will be careful to see whether the Government of India will not be very considerable losers by undertaking the duty?—I have said that I think it is not at all improbable that they will be great losers.

1514. Are you aware from the Budget sent home to you by the Indian Government that very considerable stores have already been laid in to meet that demand?—I have not seen it in that detail, which would enable me to apply it to this particular question.

1515. You have never examined the Military Budget of India to see the charge there inserted?—Not in that detail.

1516. Are you aware that there is such a charge?—There is a charge for additional stores, no doubt.

1517. But you have not seen it?—No; and if I had I could not distinguish between what came from this alteration and what belonged to former methods of administration.

1518. But if you will look at Vote 10 of the Military Budget, you will see it laid down; it is specially entered in the Military Budget as specially for battery services and extra supplies; that has not been brought under your notice?—No.

1519. Therefore, there is a good deal of information yet to be gained at the India Office in connection with this great change?—I daresay there is.

1520. You stated that it was an expenditure of 250,000 *l.* that was occasioned to India for paying the soldiers 2 *d.* a day; you merely got that from hearsay?—I had got it, I think, from Sir Thomas Pears, who told me so a long while ago, when the matter was before us.

1521. You have heard it stated as high as 300,000 *l.*?—No, I have never heard it stated higher than 250,000 *l.*; I only tell you what I have heard, that it is 250,000 *l.*, and I have no means of saying whether it is so, but it is a very large sum, at any rate.

1522. But you would not be surprised to find that it is one-half of the sum which it is stated in documents in the India Office to have cost the Government?—I am very happy to hear that, still that does not alter the fact of its being a very large charge.

1523. No, but simply that the amount has something to do with the neglect of the War Office to keep the India Office informed that the amount is not so large as was thought; the guilt of the War Office in not keeping the India Office informed is not so bad as you thought it might be as far as money is concerned?—I think I said that in the matter of that 2 *d.* a day the India Office had been informed, and had time to communicate with India before the charge was made, and therefore there could be no fault on the part of the War Office in that case.

Sir *George Balfour*—continued.

Captain *O'Beirne.*

1524. I think you said in your evidence that it was well understood by the Indian Government that a large profit had been made by these officers out of contract allowances?—It was so understood.

1525. Have you any idea when the contract allowances were fixed?—No; it was ages back.

1526. Long before the year 1857?—Long before that time.

1527. Do you not think that the very great increase in the price of native labour since 1857, which is a very well-known fact all over India, had a great deal to do with decreasing the profit which the officers must have made out of these contracts?—I think very likely it had.

1528. Have you any idea to what extent?—No, but I have no doubt myself that owing to that and other circumstances the profits of the contract allowances were, before they were abolished, in gradual process of diminution; there is no doubt about it.

1529. Could you form any estimate, from the great rise in the wages of servants in one's household which took place since 1857, a rise of at least 20 per cent.?—There has been a great rise.

1530. And would not that affect it considerably?—Of course it would.

1531. Knowing that fact, do you think it is possible for officers to make any profit out of the sum allowed, which was two rupees a horse, from your knowledge of the rise of prices in India?—We have the only sort of information upon which in these cases we can rely, which is the report of the Viceroy himself, after making such investigation as he was able to do; and he estimates the present profit at that time, which was 1873, at from 150 to 200 rupees a month, and perhaps more; those are his words.

1532. That was in the year 1873?—In the year 1873. He says that it is in a great degree a matter of estimate; that he cannot arrive at any actual facts; but that on the whole that is the estimate which he has formed.

1533. Did you ever hear of the Government of India in 1868-69 sending orders to every large garrison to have a committee of inquiry into these contracts, in order to ascertain whether they were sufficient for the purpose, or the reverse?—No, I do not know that. There was a general inquiry during Lord Canning's time; but that took place at Dum-Dum.

1534. This took place all over India?—I am not aware of that.

1535. And that this inquiry came to an abrupt termination, the Indian Government having found out or suspected that the tendency of the inquiry would be for them to have to increase the contracts; that was the reason why they brought it to a sudden termination?—I know nothing about that; if you would refer me to the particulars, I should be very glad to inquire.

1536. These inquiries were made by the orders of the Indian Government?—I am not aware of that; I accept the fact upon your statement.

Mr. *Grant Duff.*

1537. Were these officers, who appear to have been in the view of the honourable Member who has just been examining you, in the habit of complaining

Sir *F. J. Halliday*, K.C.B.

24 July 1877.

Mr. *Grant Duff*—continued.

complaining of these contract allowances, and asking the Government to do away with the system?—I have never heard of such a complaint, and never been told that there was such a complaint; but I have heard this, that the artillery officers, who during and after the Mutiny came out from England, and who had not been accustomed to the system, did not like it, and did complain of it; but that the other officers complained of it I have never heard, but rather the contrary.

1538. In short the officers who understood the working of the system liked it, and found a profit in it?—Undoubtedly.

Mr. *Muntz*.

1539. The new men who came out and were not accustomed to the work could not make a profit out of it, I presume?—Very likely; we have heard, however, that one officer who was perfectly new, and came out, did make a profit out of it.

1540. But he said he was a good man of business, I think?—There may have been other such cases.

1541. I think I am right in assuming that everything connected with finance must be approved by a majority of the Council by the Secretary of State in Council?—All expenditure.

1542. Then in regard to these allowances to the majors, the extra pay that has been given to them in lieu of the contracts was approved of by the Council?—Yes.

1543. And do you remember what reasons were assigned for giving the 250 rupees per month extra to the heavy garrison batteries?—I have been told (but my information was questioned on very high authority by one of the members of this Committee), that that 250 rupees a month was expressly given because the Government had undertaken the maintenance of those four batteries, and therefore the officers were deprived of the contract allowances.

1544. Then in fact it was given in lieu of contract allowances?—In lieu of contract allowances; but I state that under correction, it having been suggested that I possibly may be wrong, though I do not think I am.

1545. And there was an allowance for the other majors, the majors of engineers and the majors who had not contract allowances, of 70 additional rupees a month?—Yes, a total of 100 rupees a month as command allowance.

1546. Then presuming that the majors who had the contract allowances for the command of batteries, made a profit of 250 rupees a month, the other majors who had not those contract allowances would be at a loss of 150 rupees a month?—Yes, clearly.

1547. Is there a budget like the English budget fixing the pay of the military forces submitted to the Council of India?—Not going precisely into the details of the pay, but there is a budget which contains the military charges for the year.

1548. The total charges?—Yes, and in sufficient detail.

1549. And with your long experience, if any number of troops were required, British troops, not Indian troops, you would not consider Indian pay, but you would consider the pay fixed by the British Government as the pay for private soldiers and non-commissioned officers?—Yes, that

Mr. *Muntz*—continued.

is the pay which we should consider that they had a moral right to.

1550. But the British pay of the non-commissioned officer and private would be assumed as a matter of course?—Yes.

1551. And the officers hitherto, I think, until 1872, have always received the Indian allowances?—They have, excepting in those two exceptional cases that have been mentioned.

1552. Otherwise you do not know of any cases?—No.

Lord *George Hamilton*.

1553. I gather from your evidence that you consider that of all the duties you have to perform as a member of the Council of India, by far the most important are those by which you can check the expenditure?—They are the most important in every point of view; they are the most important as bearing upon the financial condition of India, upon which everything depends; they are of importance as, according to the way in which the administration is conducted, we are enabled to produce or to postpone improvements, such improvements, for instance, in the customs as were spoken of in the House of Commons not very long ago, and many other things of a like kind, which are most desirable, but which we are obliged to postpone for want of means; and, therefore, that power of the Council, which enables them to control expenditure, is of extreme importance. Besides which, it must be remembered that the natives of India, I mean the better informed of them, are perfectly aware that we have those powers, and are by no means blind to the manner in which we use them, and that in exercising those powers for good or for evil we are doing it under a moral responsibility to them, which we feel very deeply, and which they perfectly appreciate, and, by the action of public opinion, would not be slow to enforce.

1554. Of the various classes in the expenditure which come under your notice as a member of the Finance Committee, which class do you consider the most difficult to control?—The military, assuredly.

1555. And what portion of the military expenditure?—The portion of the military expenditure that I have thought most difficult to control is that relating to stores; but the whole of it is very difficult of control; it involves so many details, and so many personal questions, difficulties of all sorts; and claims are arising on all sides.

1556. You have a direct control over all the expenditure connected with the native army?—Yes.

1557. But you have only an indirect control over the expenditure connected with the British Army?—Why indirect? In this instance we exercise a direct control, and we always have it if we choose to exercise it.

1558. By "indirect" I mean that there is a portion of the expenditure, the expenditure on the establishments in this country, which applies to the British Army in India. Those establishments are fixed and regulated in accordance with the system of army organisation that may be in vogue at the moment; and therefore your control over that, to a certain extent, would be indirect?—I have already stated that that is one of the difficulties under which we labour, that we are called upon from time to time to bear charges which we never expected, because of alteration

of

Lord *George Hamilton*—continued.

of organisation in this country; and no doubt our control over that is very feeble indeed, and far less than I should wish it to be.

1559. The allowances and pay which you give to British officers, who may happen to be on the Indian establishment and serving in India, are greater, I believe, than that which is given to British officers serving in any other part of the world?—Much greater.

1560. And it is greater because it has not been regulated by a Royal Warrant?—I apprehend that is exactly the reason.

1561. At the present moment the officers who were recently promoted, the majors of artillery, are in India in receipt of pay which is in excess of that which they receive in any other part of the world?—You mean before they were given the pay of majors?

1562. At the present moment; I mean since they have been given the pay of majors?—Yes, certainly.

1563. And they have got this increased pay because it has not been regulated by a Royal Warrant?—Quite so.

1564. If their pay had been regulated by a Royal Warrant they would not have been in receipt of the pay which at the present moment they receive?—Certainly not; they would have received less than half of what they at present receive.

1565. I daresay you have looked through some of the memorials?—I have.

1566. The claims of the officers to arrears of pay are all based on one assumption, which is that the issue of a Royal Warrant, conferring upon them a certain rank, as a matter of necessity carried with it Indian allowances?—It is so.

1567. In the Chairman's examination, he, I think, once or twice inferred that the Indian Government favourably entertained the claims of the officers. Now in order to arrive at an accurate conclusion on this point, we will first consider what the claims of the officers are; and, secondly, what the proposals of the Indian Government were. Now with regard to the proposals of the Indian Government, if you would not mind looking at page 28 of the Correspondence of 1875, you will there see that the Indian Government go into calculations, and show a saving which in the military accountant's opinion will accrue to them from the abolition of the contract allowances, and they show also the increase which will result from giving a higher rate of pay, and they say that this expenditure is necessary, and they propose that this increased expenditure should commence from the 1st of April 1875?—1874; the Government of India proposed 1874 in the first instance.

1568. But in this Despatch at page 28 they proposed 1875?—They first proposed the 1st of April 1874, but in this Despatch the 1st of April 1875.

1569. Therefore the expenditure which the Indian Government considered necessary was to take place actually from the 1st of April 1875?—Clearly.

1570. And this expenditure was to be sanctioned, contingent upon the abolition of the contract system?—Certainly.

1571. That is the proposal of the Indian Government. Now as to the claims of the officers; the claims of the officers are that from

Lord *George Hamilton*—continued.

Sir *F. J. Halliday*, K.C.B.

24 July 1877.

the date of the issue of the Royal Warrant, irrespective of any contract allowances or other indirect emoluments, they were entitled to the pay of a major serving in India?—That is their claim.

1572. And therefore the proposal of the Indian Government and the claims of these officers are irreconcilable both in detail and principle?—Quite.

1573. Their claim, therefore, is based on the assumption that a Royal Warrant entitled them to the same pay as a major of the line?—They assert that throughout their memorials, more or less.

1574. As a matter of fact, did the Royal Warrant entitle them in England to the same pay as a major of the line?—No, it did not. It drew a distinction; they were entitled to certain pay in command of a battery; and to less pay when not in command of a battery; and the less pay was not equal to the pay of a major of the line.

1575. Therefore what occurred in the earlier stages of this controversy was that the Indian Government forwarded to England certain memorials from officers who wished a higher rate of pay, and they first proposed that this higher rate of pay should be given in 1874, and subsequently it was sanctioned in 1875; after this pay was sanctioned a fresh troop of memorials sprang up from the officers, some of whom have received the pay being in India, and others of whom have come home requesting that this grant of pay might be made retrospective?—Yes.

1576. And, therefore, there were two distinct sets of memorials; first the memorials which were received directly after the issue of the Royal Warrant, and through the Government of India; and secondly, the memorials which were sent to the Indian Government after the increased, the higher rate of pay had been fixed?—Yes.

1577. A Royal Warrant has never had effect upon India as regards pay and allowances?—Never unless corroborated and backed by the orders of the Secretary of State for India in Council.

1578. Now do you recollect the Warrant by which the Staff Corps was established?—I do.

1579. Will you state to the Committee who signed it, and whether there was any distinction or difference between this Royal Warrant and others which were issued?—I should state in the first place (for it is important that I should state it), that before the Royal Warrant was issued, and I should suppose in consequence of resolutions in the Cabinet, the question was deliberately put before the Members of the Council, supposing Her Majesty to issue the accompanying Warrant for the creation of the Staff Corps with such and such, and such charges appertaining to it, will the Council sanction the necessary increase of expenditure? and the Council voted unanimously (I think it was) that they would sanction it; and it was not until that vote had been taken that the Royal Warrant was issued; and when the Royal Warrant was issued it was committed to the Secretary of State for India to be carried into effect, expressly in the terms of the Royal Warrant, and it was signed by Sir Charles Wood as Secretary of State for India,

 and

Sir *F. J. Halliday*, K.C.B.

24 July 1877.

Lord *George Hamilton*—continued.

and not, I think, by the Secretary of State for War.

Chairman.

1580. But that would be in accordance with the 56th clause of your Act, by which all the Indian military and naval forces remain under the Secretary of State for India in Council?—Yes; only by that Act it was clearly admitted that no increased military expenditure could be thrown on the Government of India without the vote of the Secretary of State for India in Council.

1581. Nevertheless that particular corps was formed of the remains of the Indian Army, and was still under the Secretary of State for India, in accordance with that clause?—Yes, no doubt that accounts for it too.

Lord *George Hamilton.*

1582. In the Royal Warrant to which you have alluded, was it not laid down that the Secretary of State for India in Council should alone interpret it?—Yes, expressly.

1583. Now in your great experience do you ever recollect a whole number, or a whole grade, of regimental officers being promoted to a higher grade, and yet performing precisely the same regimental duties as before?—No, always excepting those cases which I have quoted, the cases of the majors promoted to be lieutenant colonels.

1584. You were asked whether you thought Lord Cardwell was a party to the decision of the Duke of Argyll that he could not give increased pay to the officers so promoted; now without in any way insinuating or saying that Lord Cardwell was a party to that, is not this a fact, that that speech was written in July 1872, that Lord Cardwell did not leave office till 18 months afterwards, and that he never directly or indirectly protested against the decision of the Duke of Argyll?—Never. Speaking only to the fact, and not presuming in the absence of Lord Cardwell, or Mr. Campbell-Bannerman, to draw or suggest any inference from that, it is a fact.

1585. You were in the Council in 1872, and are in the Council in 1877; and looking at the question now, not merely from a strictly legal point of view, but perhaps from rather a higher point of view, do you think it would be wise for the Secretary of State to admit the principle for which these officers are calling?—I think it would be most unwise. I think he would give up a principle of the utmost importance for no purpose whatever, except to gratify a natural, but at the same time a most unreasonable, desire for some additional pay on the part of a few discontented officers. The principle itself is that the Government of every country has a right to fix the pay of its officers; and another principle is that the Government of India in this country has authority, and is commissioned to stand between the natives of India and any attempt to throw upon them an expenditure which the Government of India here thinks unfair. It has distinctly declared it to be untenable, and therefore unfair, and it has refused to give it on those grounds; and to give it up now would be a thing that could in no way be justified in the face of the people of India themselves. They are perfectly aware, or will be perfectly aware, of what

Lord *George Hamilton*—continued.

is going on here, and they will scan all this with very anxious eyes and very subtle brains, and they will, I have no doubt, expect that that clause of the Act of 21 & 22 Victoria, which they consider is a charter of safety, will not be abrogated for mere personal considerations in this particular case.

1586. And looking back upon the whole course of the negociations, and of the transactions which took place between the War Office and the India Office in 1872, can you suggest any one step which the Indian Office omitted to take to protect themselves against the increased charge which this Royal Warrant might have imposed upon them?—I am not aware of anything else that they could have done. They remonstrated, and finding that their remonstrance was not of sufficient avail, without action on their own part, they proceeded to action, and they refused to allow the measure adopted by the War Office, without their consent, to have any effect upon the charges in India, and in doing so, I think they were right.

1587. If this claim is admitted, not only would it establish the principle that a Royal Warrant does regulate Indian allowances and Indian pay, but it would go further, and establish the principle that no matter what might be the safeguards, or what might be the understanding between the two offices, the mere issue of a Royal Warrant in England was to override all such understandings?—Of course it would do so.

Mr. *Fawcett.*

1588. Am I right in supposing that you attribute special importance to the question which this Committee is now considering, and that not from the amount involved, but as indicating a most important question connected with the Government of India?—I do; I think the money involved is petty compared with the enormous nature of the principle involved.

1589. You have used the expression, "the enormous nature of the principle involved;" therefore you think that the decision, whatever it may be, will have a great effect upon the future finance of India?—It must have an immense effect.

1590. I understand from your evidence that ever since this subject was discussed by the Council, you have thought that the claim was an unreasonable claim, and therefore you have resisted it?—Entirely so.

1591. I also gather from your evidence that you have been present in this room and heard a great deal of the evidence?—I have.

1592. And I believe you have read it also; has the evidence given before this Committee caused you in the slightest degree to alter your opinion, that the claim is neither just nor reasonable?—Up to the present time not at all.

1593. Then the members of the Indian Council were acting in strict accordance with their duty in resisting, and in your opinion they would have been gravely neglecting their duty to India if they had not resisted, a claim which they consider neither just nor reasonable?—Gravely neglecting a solemn duty before God and man.

1594. And they would be gravely neglecting a solemn duty before God and man if they did not continue to resist this claim as long as they felt

Mr. *Fawcett*—continued.

felt it was neither just nor reasonable?—Unquestionably.

1595. In reply to an honourable Member you said that Parliament of course had the power to upset your decision, but, as I understand the Act which regulates the Government of India, it is impossible for Parliament to upset your decision unless another special Act, repealing certain clauses in the Act regulating the Government of India, is introduced?—Either that, or else a special Act, compelling us in this particular case to grant what we have refused.

1596. That no resolution passed in the House of Commons, and no decision of a Select Committee, could in any way compel you to make this payment unless an Act of Parliament was introduced to compel you to do so?—If a Report of this Committee were presented to the House and made public, adverse to our view of the case, I should consider it necessary to give it the most careful attention; there would be due to it the most respectful consideration; but we have very high authority for saying that the decisions of a Committee of the House of Commons are not infallible, and I suppose, speaking for myself, that we should, after giving them full consideration, if we found we could not agree with them, retain our former opinion, and still refuse to give what the Committee recommended.

1597. Then I understand that up to the present time, of course simply speaking for yourself, the evidence which has been hitherto given before this Committee has not changed your opinion?—Not in the least.

1598. That you will continue to give the evidence laid before this Committee (and in that respect of course you can speak for the rest of the Council) the most careful consideration?—Personally, I will certainly, and I hope and believe that my colleagues will.

1599. But if, after giving it that careful consideration, you should still remain of the same opinion that these claims are neither just nor reasonable, you will feel it your bounden duty, till an Act has been introduced into Parliament to compel you to meet the claims, to resist them?—Speaking for myself, certainly.

Sir *Walter Barttelot.*

1600. I understand you to say that supposing the Secretary of State for India even should agree to any recommendation that might be made for the arrears of pay, and that was laid before the Council, you, the Council, have full power to upset his decision?—Most absolute.

1601. That I understood you to say absolutely?—Unquestionably; and I can say that it is a power that we occasionally exercise.

1602. And I presume that is the reason why it is always mentioned as the Secretary of State for India in Council?—Yes.

1603. And of course it would be quite within your power, supposing even the Secretary of State was to recommend that any alteration should be made, and that the pay should be given, to refuse it?—Speaking of our power, it would undoubtedly be in our power.

1604. But of course naturally you would infinitely prefer, if it could be done, that another course should be taken, in the case of any recommendation coming from the Secretary of State, and also from a Select Committee, you would consider it most fairly, and supposing you could reasonably come to the conclusion that it was just and sound, you would rather agree to it than be forced to agree to it by an Act of Parliament?—It would have enormous weight with us even putting out of consideration the threatened action of Parliament behind it, so much so that it would be only the very strongest convictions of a necessary duty that would oblige us, in the face of such opinions as those, to refuse it.

Sir *Walter Barttelot*—continued.

1605. My honourable friend Mr. Fawcett has asked you whether, from what you heard of this evidence, your opinion has been altered; I was going to ask you this: I presume you had most carefully considered this question before you came to any opinion on it at all in Council?—Very carefully indeed.

1606. Anything that has been said here, as you know, has been said first by people taking one side of the question, and then by people on the other; and therefore, perhaps, the evidence that may be given on a Committee of this sort was not likely to have the same effect as evidence would have on a man who had not considered the question before?—Quite true; but I did anticipate that possibly Lord Cardwell's evidence might contain something that would induce me to modify my previous opinion. The effect of Lord Cardwell's evidence on my mind was to confirm my previous opinion.

1607. But there was one point of Lord Cardwell's evidence, now that you have alluded to it, in which he distinctly stated, not that he had any right to say that you would do it, but that his hope and expectation were, that you would do it?—He said that he thought it would be wise, that the opportunity should be taken now, sooner or later, to do exactly what has been done; not what is claimed by the officers, but exactly what has been done, and which is exactly also what was recommended by the Government in India, namely, to abolish the contract allowances; and those allowances, and the other command allowances being abolished, from that time to give additional pay; that has been done.

1608. And if that had been done in 1872, do you think that we should have been sitting here considering this question?—Only that then it might have been done without sufficient or proper inquiry, and then it would have been done with indecent haste, in my opinion.

1609. But then, if it would have been done without sufficient and proper inquiry, and with indecent haste, do not you think that those officers who are absolutely excluded from any benefit by what you have since done have a claim for consideration?—I cannot conceive why they have. The circumstances of the case are totally different. One of the reasons, and the chief reason, why it was not done in 1872 was because they were in receipt of certain pecuniary advantages; and when it was done in 1875 those pecuniary advantages had been withdrawn. The circumstances, therefore, are totally different from what they then were. Now it is amongst the extraordinary consequences which would result from consenting to the claim of these officers that, if you were now to grant them what they ask, it would happen, in not a few cases, that a major of horse artillery would be paid more highly than a lieutenant colonel of the same corps.

1610. That may be possible, but that does

Sir *F. J. Halliday*, K.C.B.

24 July 1877.

Sir *Walter Barttelot*—continued.

happen in other cases besides that, does it not?—Yes; but that removes all idea of any grievance.

1611. I do not see that the fact that an officer thinks he ought to have pay which would place him on a better footing than another officer, gets over this grievance?—But it is not the idea of a man if he fancies he ought to get a thing that constitutes a substantial grievance; it is the judgment upon that claim; if the judgment upon that claim is in his favour, then he has a substantial grievance; if the judgment is against him, he has none.

1612. Do you agree with these remarks from the Report of a Committee: "That inasmuch as an increase of regimental rank brings with it an increase of responsibility and duty, and to some extent increase of expense, it is doubtful whether it is expedient to deduct the increased pay from the officer's claim to compensation." That you will find in the Report of the East India (Compensation of Officers) Committee, at page 5?—I do not know in the least to what that relates; so that I could hardly give any answer to that. These officers come under no new obligation or duty; the only alteration to them was an alteration in rank; from being captains, performing certain duties, they became majors, performing precisely the same duties.

1613. But that increase of rank was given, as you are aware, because of the responsibility of the command?—It was given for that reason in England, but the authorities who had the control over the matter relating to India thought it was wrongly given, and that the grounds were insufficient.

1614. But if it was given with regard to their appointment in England, surely the command is of equal if not of greater importance in India?—But the judgment of the two authorities upon the question was different.

1615. That is to say, the irresponsible judgment as to discipline of the Indian authorities was set against the responsible opinion of the War Office, and the home authorities responsible for the discipline of the army?—That is true; but against that I am entitled to say that there was a very strong and serious difference of opinion among military men as to the propriety of giving the rank in 1872.

1616. But notwithstanding all that difference of opinion, the rank was given, and was absolutely recognised at once in England, and with its pay and allowances?—Yes.

1617. And, as I understand you, the only reason why you did not recognise the pay at once was on account of the contract allowances which these officers held?—The contract and other allowances; and also our not assenting to the propriety of, or the necessity for, the promotion. It was a thing we should not have done if it had rested in our hands; the Government of India would not have done it; and, therefore, being done without our consent or any consultation with us we refused to allow it to subject us to any additional charge.

1618. Then that raises a most difficult question; it raises the whole question of the government of the army in India and at home?—Quite so, it does.

1619. And clearly, from your answer, you are of opinion that so long as the army, whatever it may be, is in India it should be absolutely and completely under your control, so far as the expenditure goes?—You are to recollect that at the time that this was done there was no complaint of any sort as to pay or rank or position in India; there was not the slightest symptom of discontent; there was the most perfect discipline and organisation; the condition of the artillery in India was proverbial; and it may be taken for granted since none of the military authorities in India came forward to recommend any alteration, that if it had depended upon the authorities, civil and military, belonging to India itself, the alteration in rank would never have taken place.

Sir *Walter Barttelot*—continued.

1620. That may be, and no doubt from your description of it in your view is absolutely accurate and true; but, nevertheless, the authorities here thought it absolutely necessary, with a view to the well-being and interest of the two non-purchase corps to make that promotion?—Quite so; and it is that difficulty which we are continually contending against, and which constitutes our great danger, as I have already said; things are determined upon here without the smallest reference to Indian wants or Indian wishes, and then we are called upon to bear the consequences in heavy charges.

1621. I think you will not differ from this that pay and contract allowances are two distinct things?—In name, certainly.

1622. And in reality?—I do not see that.

1623. Let me ask you this; it was a bargin made by the officer?—No; emphatically no.

1624. Are you aware that we have had it in evidence that it was?—Whoever said that made a mistake; I say, emphatically, no.

1625. Then what was it?—It was a large, and liberal, and somewhat extravagant allowance given to officers for a certain purpose, with the full knowledge that it was far more than would be required for that purpose, and that they might put the balance into their pockets.

1626. Without any responsibility?—Certainly, with a responsibility, but most handsomely paid for.

1627. Was not there the responsibility that their batteries should be in perfect order, that they would be liable to be inspected, and that they must always be in good order?—Quite so; and in wonderfully good order, as I believe they always were.

1628. And was it not the fact that the contract system was adopted, in the first instance, because it was thought that it would be far more advantageous to India itself that that contract allowance should be given, and that it would cost the country less than if they fitted up the batteries themselves?—I am bound to say that it would be vain for me to attempt to enter into any disquisition of why it was done; it was so long ago that I do not think anybody really knows.

1629. Has not money depreciated enormously since that contract was first made?—Yes.

1630. Have not all the appliances been very much increased both with regard to harness, and to all the other appliances of science with regard to the artillery?—I am not soldier enough to be able to answer that precisely, but I think it very likely.

1631. Has not everything increased very much in cost?—Doubtless, and in India particularly.

1632. And if I were to say, putting it very moderately

Sir *Walter Barttelot*—continued.

moderately, that the allowances now are not equal to what they were by more than one third, should I be exceeding what is correct and true?—I cannot speak to figures on that point. I have already stated in answer to a question put to me by an honourable Member, that in my judgment as far as I could gain information from the papers before me, and from the means of information I possessed, the profits of these contracts were deteriorating, and were in process of diminution, and must have gone on to diminish.

1633. And you also are aware that in any extraordinary emergency the officers make nothing out of their contracts?—I heard an officer say in this room that although when in the field he gained nothing, yet he gained so much more when in quarters that in the long run it made no difference to him, and that one year with another he made so much a year.

1634. I am not disputing that, but what I do put to you is this, that they had to bear any extraordinary contingencies be they what they might?—Unquestionably.

1635. I think you said that the contract system had prevailed in the Indian Army since its first formation?—As far as I know; my memory runneth not to the contrary at all events.

1636. And let me ask you, in the old Indian service when a man was made a major from a captain, did you give him the pay, or did you not?—I have no doubt they gave him the pay.

1637. And now, may I ask you, why that should not be done when the man is in the English service, and not in the Indian service?—Because in the one case he was promoted with our wish and with our intention, and in the other case he was promoted against our wish and contrary to our intention.

1638. Therefore, because you have lost the control and discipline of the army here, and because it is thought in the interest of that discipline that this should be done, therefore you do not agree to pay them that remuneration for their rank, which they think they are justly and honestly entitled to?—That is putting a construction upon my words which I do not agree to; but in the effect of my answer, I do entirely agree with that.

Chairman.

1639. In reply to the honourable Member for Guildford, you referred to Mr. Kellner's figures. I suppose that the India Office does not doubt the correctness of the figures in Mr. Kellner's report?—Not at all; but I think if you look at Mr. Kellner's Paper, you will see that it is by no means a very accurate or precise calculation; there is a great deal of it that of course is an estimate.

1640. But it is as precise as could be obtained at the time?—No doubt.

1641. You also stated that you understood that the increase of 2 *d.* a day to the soldier, and so on, had received the approval of the Indian Government?—My belief speaking from memory is that it had; we had a very great discussion upon it, and I think I recollect that there was a large correspondence with India upon the subject.

1642. Because we have it in evidence, both from Sir Thomas Pears, and from Lord Salisbury's evidence in 1874, that the India Office were never informed of it in any way?—If that has been stated, I should like to refer to the India Office, and ascertain the fact. I perfectly remember its being before me as a member of the Indian Council.

Chairman—continued.

1643. It was introduced into the House by General Peel in the Army Estimates, simply in the form of a resolution; and until it was brought forward, nobody knew anything about it?—I know for certain that the matter was debated in the India Office by members of the Council, before ever the 2 *d.* was given to the soldier in India; that I am quite positive of.

1644. You stated that you considered this matter highly important, but that this sum, whatever it may be, was rather a miserable sum or a small sum?—About 100,000 *l.*

1645. That the matter was one which you considered of great importance; that it was, in fact, almost vital to the natives of India?—I said that the money was not so important, but that the principle was of vital importance.

1646. Do you remember what is called the bonus question, which was so longed discussed at the India Office, for so many years?—Yes.

1647. I think that was declared to be illegal in the year 1864 by a Royal Commission, with Lord Cranworth as Chairman?—I do not remember.

1648. The officers continued still to apply for many years afterwards?—Yes.

1649. And I think in the year 1875 a Committee was moved for in this House by a representative of the India Office, to consider the matter, and it was then given with the full consent of the Council of India?—I cannot tell; but you are going now upon the amount, as if I had said that the amount was of enormous consequence.

1650. I am talking of the principle; it was something over 300,000 *l.*?—I daresay, but the principle involved in this question was not involved in that question.

1651. Then, although there is this extreme strictness which we see applied to these officers in 1875, the India Office did not look upon that question to which I have alluded in so strong a light?—Quite so; if the principle that I contend for had been attempted to be infringed in 1874 it would have been a case in point; but I do not perceive that in the bonus matter it was in the least attempted to be infringed; on the contrary, the Council was taken into consultation, and what was done was done with their free consent; therefore the two cases are absolutely different.

1652. Therefore, on the one hand, it was done with the full consent of the Council of India, and on the other hand, it was done by the War Office without their consent; and, therefore, they took this ground to show their determination?—They took this ground to show the people of India, amongst other things, that they did not intend in future that improper charges should be laid upon them, because of the action in the War Office over which they and their representatives had no control.

1653. And also to show the people at the War Office?—And also to show the people at the War Office; though that was of very little use, for it has not done them any good.

1654. And you think that the protection which these troops extend to the natives of India does not very well repay any cost to the Exchequer of India?

Sir *F. J. Halliday*, K.C.B.

24 July 1877.

Chairman—continued.

India?—Of course the value of the protection given by the troops to the natives of India is very great; but at any particular time you may overstep that value, and it is then increase is unnecessary. We contend that in this case the value had been reached, and the increase was unnecessary.

Sir *Henry Wolff.*

1655. Do officers in India now get a higher or lower rate of pay than they did under the old East India Company?—They get the same.

1656. You do not consider that they are overpaid?—They are very much overpaid compared with the pay given to officers by any other Government in the world, and compared with that given by the English Government in any other part of the world; and what I am very apprehensive of, though it is a thing I should be very sorry to see come to pass, is that the Government of India will be forced upon applying the rates of pay given by England to its troops in the colonies to troops in India.

Sir *Henry Wolff*—continued.

1657. In England we have to raise that army, and the officers and people who go into it are obliged to go where they are ordered; but do you think you will get people to go into it if you play fast and loose in that way; I ask the question because you said that you would be forced to do this, and that, and the other, and that is practically lowering their pay; do you think if you did you would get officers who would consent to go to India?—I have no doubt we should, because we get officers who undertake to go to China and Ceylon for much less pay.

Tuesday, 31st July 1877.

MEMBERS PRESENT:

Sir George Balfour.	Lord George Hamilton.
Sir Walter Barttelot.	Sir John Hay.
Lord Frederick Cavendish.	Colonel Jervis.
Mr. Courtney.	Mr. Arthur Mills.
Mr. Grant Duff.	Mr. Muntz.
Lord Eslington.	Captain O'Beirne.
Mr. Fawcett.	Mr. Denzil Onslow.
Mr. Carpenter Garnier.	Sir Henry Wolff.

COLONEL HENRY JERVIS-WHITE-JERVIS, IN THE CHAIR.

The Most Honourable ROBERT ARTHUR TALBOT, Marquess of SALISBURY (attending by special permission of the House of Lords); Examined.

Marquess of *Salisbury*.

31 July 1877.

Chairman.

1658. I NEED hardly ask, your Lordship has been Secretary of State for India for a considerable period?—Yes.

1659. The evidence we have had before us seems to show that there was a considerable difference of idea as to how the circumstances took place with reference to these officers being promoted, in regard to communications with the India Office. From the evidence of Lord Cardwell he appears to have been under the fullest impression that he consulted the India Office in every way; and in the evidence of 1874, given before the Finance Committee, the Duke of Cambridge likewise gave evidence to that effect, that he was also under a similar impression. From the evidence that we have had from General Pears it would seem as if the communications which had taken place with regard to himself were simply those which he had made in his own person, but without being authorised in any way by, or acting in any way on behalf of, the Secretary of State for India in Council, or on behalf of the Council; and we also had it from Sir Frederick Halliday that he looked upon any communications between the Secretary of State for War and the Secretary of State for India, as likewise matters which the Council were not supposed to know anything of, because they were not direct communications with the Council. The consequence is that the Council appear to have thought that they were overridden, or rather put on one side, by the War Department, and they knew nothing of it officially until the Royal Warrants were forwarded to them on the 15th June 1872, whilst Lord Cardwell was under the impression that the India Office was fully aware of all the circumstances previous to his having brought the subject before Parliament. I do not know whether that has been brought to the notice of your Lordship in dealing with this matter?—I should have no other opportunity of judging of that matter than the Committee itself has. No one could speak to the communications which have taken place with the Duke of Argyll, probably, except the Duke of Argyll himself; but Sir Frederick Halliday is perfectly right that communications with the Military Secretary, or even with the Secretary of State, unless the Council was privy to them, can have no binding force upon the Council, which is the body trusted by Parliament with the administration of the revenues of India.

Chairman—continued.

1660. That is so; on the other hand, at the War Department, the Secretary of State for War evidently, from his evidence, seems to have been under the full impression that in communicating with Sir Thomas Pears he was communicating with an official of the India Office who was acting by authority?—It was an unfortunate misunderstanding; I cannot tell how it arose, as it was not within my experience.

1661. And, therefore, in consequence of this misunderstanding, the Council of India, having considered that their powers had been overlooked (which Lord Cardwell particularly and distinctly states he never had any intention, or desire, or thought of doing), these officers have suffered. Sir Frederick Halliday puts it in this way; he says this in effect: "It is not so much a matter of money; I do not look upon it as a matter of money, but as a matter of principle; if it had been a much larger amount, and we had been consulted, we might perhaps have agreed to it; but not having been consulted, we stand upon the principle that our position was overlooked, and therefore we feel bound for protection to India to refuse"?—Those were undoubtedly the grounds on which the Council of India acted. They feel naturally very jealous of any action of the Imperial Government which disposes of the revenues of India without their sanction.

1662. But, on the other hand, after the explanation and the full statements that have been made by Lord Cardwell, that he never at any time thought of interfering, but that, on the contrary, he distinctly guarded himself against interfering with the revenues of India at any time, do not you think it would be perhaps well if

Marquess of *Salisbury.*

31 July 1877.

Chairman—continued.

if the India Office were to reconsider the matter? —Perhaps it would save the Committee trouble if I exactly stated how the Secretary of State and the Council stand in regard to this matter. We are both of us agreed that in abstract principle these officers have no claim; we are both of us agreed that the Imperial Government has no right to dispose of Indian revenues without the consent of the India Office; but I was of opinion that the evils of a collision between the House of Commons and the Council were so great, and I knew so well the popularity of the officers in the House of Commons, that I advised the Council to yield upon this point, and I proposed a draft for that purpose. I was, however, beaten by a majority of eight to four; and immediately afterwards an unanimous resolution of the Council was passed, affirming that in their judgment the claims were without validity. I am not, therefore, able to answer anything as to the mere question of policy in the action of the India Office towards the officers, because my own views of policy have been overridden; but it is fair to the Indian Council that in saying this, that I should say at the same time, that on the general question, as apart from the policy of giving way to the House of Commons, I am at one with them.

1663. I was not thinking for one moment of the Council of India or the Secretary of State for India giving way to the House of Commons; but we have had in evidence this, that as far back as the year 1872 the Commander in Chief in India, in forwarding the application for pay from these officers, from the date of the Warrant, forwarded them for the favourable consideration of the Governor General of India in Council; and we have also had it in evidence that at the beginning of 1873 the Governor General of India in Council, in forwarding these applications to the Secretary of State for India, pointed out rather strongly that many of these officers who were not in receipt of what are termed the contract allowances, were entitled to the pay of their rank; and as to the other officers they suggested that the contract allowances should be done away with from the beginning of the year 1874, and that the pay should begin from that time. Then we have it in evidence that in the year 1874 the Governor General of India in Council again addressed a letter to your Lordship in which they pointed out strongly the fact that with regard to the officers who had contracts, that was no fair reason to allege against their receiving the pay of their rank. Then, owing to some mistake or another, which has not been explained, it appears that these matters were brought for the first time, at the beginning of 1875, to the notice of the War Office, for by some mischance the letters never reached from the Commander in Chief in Bengal, nor the confidential reports from the Commander in Chief in Madras, nor was the case forwarded by the Commander in Chief in Bombay; and it was not until the year 1875, when the Parliamentary Return was called for, that these officers ever knew that their claims had never reached the War Office at all. Then on the 18th February 1875, Lord Napier of Magdala, the Commander in Chief in India, addressed a further letter to the War Office, and that letter again never reached; but on the 9th August he wrote to ask for a reply to his letter of the 18th February, stating that these officers had been

Chairman—continued.

waiting for a reply to his previous communication. Upon that a communication was addressed to the India Office from the Commander in Chief; that letter was returned to the Commander in Chief by hand, and was not replied to. From that time until the 13th of June ultimo four or five more communications were addressed from the War Office to the India Office, and no decided reply was given. In the meantime these officers wrote at various times, and in reply to all these letters which they wrote, they were told that it was under the consideration of the Secretary of State, and every hope was held out to them that it would be given. We have it from the military authorities at the War Office that they considered that these officers were entitled to it from the first. Therefore we have, during the course of these five years, a very strong impression on the minds of these men, backed as it were by these great authorities, was it not natural that they should still have thought that it would be given to them?—I do not think that their action is in the least unnatural; but I am afraid that the demands of many persons on the public purse are perfectly intelligible and entitled to much sympathy, though those who are entrusted with the guardianship of that purse may think it their duty to refuse them. I feel, in this case, that the complaints of the officers are exceedingly natural from their point of view; but I agree with Sir Frederick Halliday that the Imperial Government could not have disposed of our money without asking us.

1664. But Lord Cardwell distinctly states that he carefully avoided disposing of the finances of India in any shape whatever; but he says that in consequence of communications that were made to him from the India Office, he had altered the financial portion of the Warrant in order to enable the Government of India to make their arrangements, to place these officers on what he called a fair and equitable footing as field-officers; and he added that in doing so he understood that he was really assisting the Government of India?—I think I should prefer to devolve upon other persons the duty of defending the action of the Government in 1872.

1665. I am not asking your Lordship to defend that for a moment, but I merely wish to point out that this was done, and therefore these men naturally looked to all these points that were stated at the time, and which impressed it all the stronger on their minds, and on the minds of the military authorities at the War Office, that they were justly entitled to it?—I I am afraid that it is not the first occasion on which a certain negligence on the part of the Home authorities has produced most unfortunate feelings of dissatisfaction among the officers in the Indian Army. It is one of the difficulties of late years with which we have had to deal.

1666. But it has been stated that these officers having received promotion, that to a certain extent was a great boon to them, and I put this question to Sir Thomas Pears, as to whether he was aware that something like two-thirds of the officers of the Artillery out of India, without counting the officers of Engineers, were already in possession of brevet rank field rank, and he strongly doubted the fact; but from a return furnished by the Adjutant General of Artillery, I find that out of 128 officers of Artillery who were then in India, 87 were already brevet field officers

Chairman—continued.

officers in India before the issue of the Warrant; and, therefore, as far as that number is concerned, they certainly obtained no advantage whatever by the step that was given them?—I do not think that the promotion to the rank of major can be looked upon as having been any advantage to them. On the other hand, I doubt whether it can be looked upon as having been such a disadvantage that it required to be compensated by a large increase of pay. I believe that no extra duties were placed upon them at the same time.

1667. I do not know whether your Lordship remembers why the promotion took place, and the origin of the Warrant; it was in consequence of the military authorities having decided that the officers in command of batteries should have far greater discretion in the field than they hitherto had had, and that they should be more able to act on their own responsibility, without receiving immediate orders from officers in command of brigades; and, therefore, that field rank was given to them on account of this increased responsibility; but there is no doubt that during the last 25 or 30 years the batteries of Artillery have been doubled in size, and strength, and number of men and horses, and responsibilities of all kinds; in fact, that the command of a battery of Horse Artillery, or a field battery, is certainly equal to whatever force could have been placed under any major of the Line or Cavalry, and more than equal to it?—I understand that the view of the Home Government was that the captains of Artillery were insufficiently paid, and therefore they raised the payment, I believe, in the case of Artillery, by about 90 *l.* a year; but the result of that measure, according to the claim that was put forward, and according to what was ultimately conceded, was that in the case of a certain number of these majors, at least, it increased the pay of the Indian captain 390 *l.* a year.

1668. That is true; but on the other hand the pay in England is exclusive of quarters, forage, fuel, servants, tentage, travelling allowance, baggage allowance, and field expenses which are given to the officers, to a certain extent, but which in India are entirely covered by the difference between what is termed the English pay and the Indian pay; and that in a country where money has so greatly depreciated, and where prices have risen exceedingly high?—Those expenses undoubtedly were taken into consideration in the fixing of the pay; but I do not imagine that the proportion of them was increased by the promotion of these officers to the rank of major.

1669. The rates of pay in India were fixed with great care, and after a long and careful consideration, many years back, in communication between the Court of Directors and the military authorities in England, and the Secretary at War and the Board of Control, and I think we must take it for granted that, as there were several Governor Generals and other eminent men in the Cabinet in England, who looked to economy as much as anybody does in these days, they were not placed higher than what they thought was fair and reasonable to those who had to spend their lives there?—I cannot offer a different opinion, because I have myself conceded that rate of pay to majors; but I can understand the position that the Duke of Argyll took in

Chairman—continued.

1872, though I took the first opportunity of reversing it when I came into office myself.

1670. There had been at that time, your Lordship is aware, rather hot controversies between the India Office and the War Office upon many points?—Upon many points.

1671. And this was simply a point that arose at that time, when you may say there was a state of feud between the two departments; and it is natural to suppose that it was done rather in a moment without, perhaps, careful reflection as to what the consequences would be on the men who had been selected for this arrangement?—It is impossible for me to know the exact nature of the motives which dictated it. I should not have said, looking at it as far as one can venture to do after the event, that it was a wise policy, because the production of any discontent, any discontent that can be called at all legitimate, in the officers of India, is apt to spread, and to produce great injury to discipline and to the public service; and it would have been very desirable if, rather than incur such a danger, the Duke of Argyll and Mr. Cardwell could have come to some clear agreement; but what prevented them from doing so I am wholly unable to tell the Committee.

1672. But we have had it clearly from Lord Cardwell, who not only stated it in 1874, but adhered to it also in his evidence on this occasion, that he was under the full impression when he issued those Warrants that it was agreed to by the Indian Office?—I should think it was improbable that with Lord Cardwell's official knowledge he could have imagined the India Office to be bound by anything except an official letter from them. I do not believe he received any which conveyed any such an agreement.

1673. The original intention, I think, of doing away with the local forces in India was to do away, to a certain extent, with the dual government, was it not, over the European troops in India?—I should be sorry to speak positively about a matter which is a good deal anterior to my own experience; but my impression is that there was some considerable apprehension that a large European Army permanently fixed in India might become too strong for the Government.

1674. But when you were examined on this point in the year 1874 before the East India Finance Committee, you seemed to point out that the British Army, being under the control of the War Department, India must more or less give in to the organisation that was considered most beneficial for that Army in an Imperial sense and bear its proportion?—It is undoubtedly true, with that qualification, that there is a moral pressure upon us to accommodate ourselves, as far as we can, to the arrangements of the Imperial Government; but that is a very different thing from allowing that the Imperial Government may place a charge upon the taxpayers of India without obtaining our formal assent.

1675. In that year your Lordship was asked this at Question 2217: "Your Lordship is aware that a very important change was lately made in the Army by which the first captains of Artillery and Engineers were made into majors;" and you said "Yes;" and then you were asked: "And that whilst the increase in the cost to England on account of that promotion was very slight, the

 increased

Marquess of *Salisbury.*

31 July 1877.

Chairman—continued.

increased cost to India has been very considerable;" and you said, "Yes; that is so; I do not know whether we can fairly charge that on the Imperial Government; it was an inevitable result;" I suppose that what you meant by "an inevitable result" was that, as the organisation was to be for the benefit of the Army at large, as a matter of principle India should bear its fair share?—I should not have put it quite so strongly as that; I do not remember the exact circumstances under which I made that answer; but probably what was in my mind at that time was that I had already resolved, in conjunction with the Council, that it was necessary to make this change in the future; and it was the future expense, of which I was thinking, and which undoubtedly was, in effect, thrown by this act of the War Office in 1872 upon India.

1676. Now your Lordship has said that there was a difference of opinion between yourself and some of the Council with regard to this matter, and that you had proposed, what I suppose I may call, a compromise on the matter, which you thought the officers might fairly accept, and that some of the Council differed with you upon that point; have you got any doubt, but that if the majority of the Council had agreed with you, it would have been wise in policy, and also wise as allaying any discontent which may have arisen on this matter?—I must confess that it was with very great reluctance and doubt that I came to the resolution to make this proposition to the Council; and I did it not on the ground of appeasing discontent (for I confess that I thought the demand of the officers unreasonable), but because I am very strongly impressed with the importance of not allowing the Council to come athwart the House of Commons.

Mr. *Arthur Mills.*

1677. In answer to the Chairman, I think you said that when this question was raised in the Council, you agreed with them on the merits of this matter as regards the claims of the officers, but that in order to avoid collision with the House of Commons, you proposed in Council to give way?—Yes.

1678. When was that?—In the course of May, I think.

1679. It was, I presume, before this letter which has been presented to Parliament, signed by Colonel Johnson, the Military Secretary, of the 13th of June 1877?—That letter expressed the result of the division.

1680. It was this discussion in the Council, in which you told us there was a division of eight to four that took place somewhere about May?—I think so; I have not got the date, but it was somewhere about that time.

1681. In the letter which bears the signature of the Military Secretary, Colonel Johnson, written on the 13th of June 1877, there is this paragraph, alluding to the measures that were taken in 1872: "Lord Salisbury considers that by these measures the Secretary of State for India gave full effect to the Royal Warrant, and fairly and equitably fulfilled all its provisions;" are you of that opinion still?—Entirely.

1682. And in a subsequent paragraph of the same letter, speaking of the emoluments derived from contracts, he goes on to say: "It is true that these emoluments were indeterminate in

Mr. *Arthur Mills*—continued.

their amount, but it was known and admitted that they could not be abolished without causing a very serious pecuniary loss to the holders of them. The enjoyment of these emoluments, whether staff salaries, contract profits, or command allowances, entirely obviated any need for that improvement in the pecuniary position of Artillery and Engineer first captains considered necessary at Home and in the Colonies, while they were in full enjoyment of those other advantages received by the corps where necessary, viz., an improved military status and protection from supersession by the other arms of the Service;" with that I presume you agreee now?—Yes.

1683. Then we may take it, may we not (I think I gathered it from your answers to the Chairman), that though you thought the danger of a collision with the House of Commons on any question in reference to India, was one which, if possible, should be averted, you agreed with your Council in reference to the claims of these officers, that they were not claims which ought to be charged on the Indian revenues?—Quite so. If I may state my own belief shortly, it is that it may, possibly, be desirable that the officers should have the money, but in that case it is also desirable that the Imperial Government should pay it.

1684. Then if the money is paid at all, you think it should be paid out of the Imperial revenues?—Yes.

Sir *Henry Wolff.*

1685. Will your Lordship tell us under what document the pay of the Indian officers is regulated; has there been a Royal Warrant or anything analogous to it for the purpose?—It would certainly not be a Royal Warrant, but General Orders, and probably a succession of General Orders of the Government of India. The pay book is, I think, an inch and a-half thick.

1686. Is it approved by the Council of India?—Each General Order is generally approved beforehand, but in any case it must be reported home, and approved or disapproved afterwards.

1687. It is not an annual vote on the part of the Council?—No.

1688. Then the Council of India would have no power of reducing the pay?—They would have the power, but it would be a breach of faith with the actual holders of the office to reduce it.

1689. Does your Lordship think that under the construction of the Act of Parliament, they have the power of reducing the charge?—They have the same power over the revenues of India that a private individual has over his own money.

1690. That has been established, has it?—They have always believed that; I have never seen any opinion to the contrary.

1691. But the Imperial Army being in India under exceptional circumstances, cannot be considered, can it, to be exactly in the position of a purely Indian Service, like the Civil Service, for instance?—The Imperial Government lend us 62,000 troops, for which we pay a certain agreed payment.

1692. Is that an individual payment or a lump sum?—It is calculated in a great variety of ways; no one formula could express it all.

1693. You

Sir *Henry Wolff*—continued.

1693. You acknowledge, however, that it is an Imperial Army, raised in England, officered in England, and the promotion depending entirely upon the Imperial Government?—Entirely.

1694. Is there not likely to be a dead lock arising some day, from the fact of the Indian Council asserting, as they no doubt have a right to do, an independence of the Imperial Government in fixing the pay of the troops when they are out in India?—On the other hand there might be a great and serious injustice to the taxpayers of India, if it was in the power of any department here at home to lay charges upon them at its will.

1695. Should there not be a better understanding between the two departments?—That it is desirable that there should be a complete understanding is undoubted, and the Government is now considering some means of settling disputed questions; but the condition in which the administration of the revenues of India was left by the Act of 1858, undoubtedly does expose the public service to the inconvenience of disputes between those who manage Indian revenues and those who manage English revenues.

1696. Then it is hard upon the officers that they should be the victims of these disputes between the two departments, is it not?—I can only reply that my solution for it would be that the Imperial Government should pay.

1697. But the Imperial Government should surely have a certain supremacy over the Indian Government, which is only a portion of the empire?—Parliament did not decide so in 1858.

1698. But surely it did not conceive that the Indian Council would set itself against the wishes of the Imperial Parliament?—The Imperial Government we were speaking of. The Imperial Parliament has an ample power of passing Acts which would override everything; but it was the direct intention of the Act of 1858 to protect the revenues of India from the encroachments of the Imperial Government.

1699. Meanwhile the Indian Department encroaches upon the Imperial Government for troops?—The Imperial Government lends it the troops for certain payments; that is a question of agreement; it is in their power to withdraw them if they think fit.

Mr. *Denzil Onslow*.

1700. In a Despatch from General Pears, written in February 1872, to Mr. Cardwell, it is said, "that of the various changes in the organisation of the British Army which either have been actually made from time to time, or which may be now in contemplation, many will inevitably affect for good or evil the financial interests of British India." I wish to ask you whether there are many changes that have been recommended in the organisation of the British Army by the War Office which inevitably have affected for good the financial interests of British India?—The whole of the short service system affects us very seriously; but I should be sorry to attempt to describe at length how that comes about, because the matter is one full of very technical and minute details.

1701. Has it affected the revenues of India for good?—No, for evil.

1702. I ask for good; are there many recommendations from the War Office which have

Mr. *Denzil Onslow*—continued.

affected the revenues of India for good?—I do not remember any.

1703. Now, whatever may be done or recommended by the War Office, you and the Council of India have a perfect power of vetoing any of those recommendations if you think that they will materially affect the finances of British India?—In this sense that we have the power of refusing to allow the charge upon the revenues of India to be raised; of course we cannot interfere with such measures as the War Office may think fit to adopt in reference to its own troops.

1704. Is it the case that you, having notice from the War Office of certain changes which are in contemplation, or which have been sanctioned, have had time to communicate with the Viceroy in Council regarding the effect of those changes on the revenues of India?—I do not know at the present moment whether the honourable Member refers to any particular case. I cannot at the present moment call to mind any case within my own experience where such time was not given to us, though I am far from saying that there has been no such case.

1705. I think you were not in office when the extra 2 *d.* was given to the British soldier?—No; I went out of office before that came into operation.

1706. Are you aware whether the Government of India were consulted, or even if they had been consulted, whether there was sufficient time given by the War Office for its opinions to have been placed on record by the India Council, and then submitted to the War Office?—It is 10 years ago, and I should be very sorry to make a positive statement, but my impression is, that there was no disagreement between us during the time that I was in office. I left office in March of that year, and I do not think that the proposed measure of General Peel had got beyond the stage of a proposal when I left office.

1707. Do you think that as a rule there would be any practical difficulty in the War Office giving you such sufficient notice of any change that is being made as to give you sufficient time to consult the Indian Government before that particular Warrant or scheme was to come into operation?—In the case of any large change that they proposed, we should undoubtedly insist upon time to consult the Government of India before effect was given to it; any large change, I mean, having a financial effect; because we do not pretend to have any right to interfere with the action of the War Office in any other respect.

1708. Did your office insist upon time being given you to consult the Government of India when the extra 2 *d.* was given to the British soldier?—I cannot tell you; I do not think I had anything to do with that.

1709. I think you may take it from me that they had no time?—That is very possible.

1710. Your draft Despatch was written, not because you objected to the principle that these officers received sufficient pay on account of their contract allowances, but simply that you did not wish that there should be any collision, or a semblance of a collision, between the House of Commons and the India Office?—I thought that that upon general political grounds was highly to be deprecated.

1711. You knew that there was a great sym-

Marquess of *Salisbury.*

31 July 1877.

Mr. *Denzil Onslow*—continued.

pathy, or at all events you suspected, and naturally suspected, that there was a great sympathy between a large portion of the Members of the House of Commons and these officers?—I knew from past experience how strong the officers were in the House of Commons.

1712. Your experience in the House of Commons is the experience of many of us, that as a body they have more sympathy for the officers than they have for the revenues of India?—I should be sorry to put it in so general a form; but I think that their sympathy is very strongly and very creditably expressed in favour of the officers.

1713. If this Committee were to recommend that this pay should be given to these officers who are now laying their grievances before us, it would be competent for the Council of India and the India Office to reject these recommendations?—Quite.

1714. I suppose that you would consider that any Royal Warrant which might be issued in this country regarding the pay of the soldiers should not, of necessity, apply to India?—Not of necessity; but it is probable that any such increase of pay would be met by corresponding action on our part; because, as the honourable Member is no doubt aware, the difference between the two pays is not large at present.

1715. And I presume that it is your opinion that the present law which exists, namely, that everything connected with the revenues of India should be laid before you and your Council is for the protection of the revenues of India just and proper; that nothing should be done which in any way hinders you from exercising what you may consider to be a wise discretion over the finances and revenues of India?—I think that unless some such check is interposed the effects upon the revenues of India would be most serious.

Sir *George Balfour.*

1716. You are under a strong impression that no increase of pay has ever been given in India except under sanction from the Home authorities?—The sanction either before or after.

1717. And do you consider that the Court of Directors had equally as great power as the Council of India with regard to the pay and allowances of European troops in India?—I think they had.

1718. Then you have no distinction to make with regard to the power given to the Council relative to the power which the Court of Directors had, but you think that the one is equal to the other?—I think that is the case; but I am not very learned in the powers of the Court of Directors.

1719. But your Lordship is aware generally, that they were very jealous of the exercise of any power from home over the troops in India?—Yes.

1720. Is your Lordship aware that the pay codes of India are full of Warrants and regulations affecting the pay and allowances of European troops in India, which were published and acted upon by the Government of India without previously being sanctioned by the Court of Directors?—It is quite possible; I do not know it.

1721. I will call your attention to the important change that took place in the last century. I find that in the last century the pay of the European Army was increased in a higher degree than what it was by General Peel, and that entirely by a Royal Warrant; that would be a precedent, would it not, for the Government of India to follow?—It is rather an ancient precedent.

Sir *George Balfour*—continued.

1722. Still, I am asking your Lordship whether it is necessary for the Government here to give their sanction to all changes before ever they are put in force in India?—Certainly.

1723. And you think that has been practised hitherto?—As far as I know, certainly of recent times.

1724. Is your Lordship aware whether the practice of the Indian Government has been to accept the organisation of the British Army, and whatever organisation the War Office has considered necessary for the efficiency of that force to allow it to have operation in India?—The Indian Government does not interfere in any way with the organisation of the British troops, except so far, of course, as questions of pay and allowances are concerned.

1725. But in this case you did so with regard to majors commanding batteries of artillery; you considered that rank unnecessary to be given, or rather you considered the pay and allowances unnecessary to be given accordingly?—We considered it unnecessary to increase the pay and allowances.

1726. I have never been able to understand why they should ever have assented to the rank being given, and the practice of India not followed up, that the pay and allowances should be given also?—I think that is a matter upon which it is impossible for me to answer you, because it must have lain entirely in the breast of the Duke of Argyll.

1727. You are aware that on all previous occasions whenever the rank has been given, whatever pay and allowances officers of the corresponding rank in the Indian Army received, the same pay and allowances were invariably given to the officers of the Queen's troops serving in India?—I do not think that that is a fact absolutely true, though no doubt it is generally so; I have heard of some exceptions.

1728. You are aware of one exception in 1858?—Yes.

1729. You are aware that on that occasion the Government of India sanctioned the pay and allowances of the rank?—Yes.

1730. And it was only by reference home to England that they then said: "Follow the practice in the Queen's troops, and give that rank merely the pay of the junior rank?"—Yes; I believe that is true.

1731. But on all previous occasions you can find no other instance, except that one, to justify the withholding of the pay from the rank of major of Artillery?—I should be sorry to assent to that, because I have an impression that there is another instance; but it is not a question that I should admit ought to be governed purely by precedent.

1732. Have you anything at the India Office to show the views of the Council of India in respect to the dissent that took place; have you any minutes to show the opinions of individual members connected with the refusal to give the pay?—I do not think that it was ever proposed to the Council to give the pay. The Council is a body which can only act upon proposals made

to

Sir *George Balfour*—continued.

to it; and if the Secretary of State of that day did not think fit to submit to them a proposal for increasing the pay, they never would have an opportunity of expressing an opinion on the matter.

1733. But we have it in evidence from Sir Frederick Halliday that he did entertain an opinion in 1872 (and probably other members of the Council did also) that the pay and allowances should not be given to the rank of major?—I daresay he did, but I am not aware that the matter was ever formally submitted to the Council.

1734. Is the objection to give increased pay to the majors of Artillery owing to the handsome allowances they received on account of the duties they performed connected with the contracts?—The objection I understand to be partly one resting on the question of contracts and command allowances, but also on the very much larger pay which captains of Artillery in India receive than captains of Artillery in England, a difference of more than 100 per cent., if I remember rightly.

1735. The Chairman has already asked you that question with reference to the pay and allowances received in India; but is your Lordship aware of the small sum that the officers received as the mere personal income out of the allowances they received?—I am not aware of what the financial effect upon them of those arrangements is.

1736. Would your Lordship glance at that part of the book of the Regulations issued by the India Office, showing how very small the actual income of the officers is (*handing a book to his Lordship*)?—All that it says is, that "The pay and allowances of regimental officers in India are composed of six items, viz.: Pay proper or subsistence, gratuity, tent allowance, house rent, horse allowance, and batta"; but in what proportions those are distributed I do not see.

1737. I think your Lordship will find it just below on the same page?—It says, "The first, second, fourth, and one-half the sixth of these items may be regarded in the light of what may properly be termed the income of the officer; and the third, fifth, and remaining portion of the sixth item partake rather of the nature of a contract, the officer in receipt of which is to provide himself with the necessary equipments, the expense of which when marching, or in the field, the allowances last mentioned are intended to meet." That is from the Appendix to the House of Commons Report of 1832; but what amount of the whole, what fraction is attributable to this third, fifth, and sixth item, I do not see.

1738. When I mention to you that they comprise nearly two-thirds of the whole pay given to the officers, and it is given to them for the purpose of supplying themselves with accommodation, which they otherwise would receive at home, at the Government expense, you will see that the amount which the officers receive in India is very small indeed in comparison with the total sum which the Government pay them?—I have never seen any figures establishing any such proportion.

1739. Your Lordship is aware that the allowances given to the officers for maintaining the batteries in a state of efficiency were all allowances given as much in the interest of the Government as for the advantage of the officers?—It

Sir *George Balfour*—continued.

was thought to be in the interest of the Government to give them. Whether it was as much in the interest of the Government as for advantage of the officers, I should not be prepared to say. I believe that in old times, at least, the officers obtained a considerable profit out of them.

1740. But your Lordship is aware that Lord Canning, after inquiry, decided that he would maintain the allowances, thinking it more profitable for the Government?—It is possible he may have done so.

1741. Therefore, in that way, he thought it more for the interest of the Government?—Lord Northbrook was of opinion that considerable saving would result to the Government by abolishing them.

1742. Does your Lordship think that that will be borne out by the result?—I have seen no evidence of what the actual result has been; in fact, it is very difficult to know what the actual profit obtained by officers in recent times has been.

1743. We have had great confusion and great delay in obtaining attention to the claims of the officers, and it is unseemly, as your Lordship has said, to allow such a state of things to remain. In future to whom do you consider that the officers must appeal for redress of grievances in case they find it necessary to do so, to the India Office or to the War Office?—It depends upon what their grievances are.

1744. In a case like this when they have grievances as to pay and allowances?—They should appeal to the Government of India.

1745. And would the Government of India be bound to submit their claims to the Secretary of State for India?—Certainly.

1746. You consider that the sole channel of communication in this case ought to have been from the Commander in Chief in India to the Government of India, and from them to the Secretary of State for India?—I believe that is the regular channel.

1747. But does your Lordship consider that that has been followed in respect of the claims of these officers?—The claims of these officers have mostly been forwarded by the Government in India; some have been forwarded, I believe somewhat irregularly, to the War Office.

1748. But have the India Office received those representations, or passed them on to the War Office?—My impression is that we have answered them, and passed them on to the War Office.

1749. You are not of opinion that any neglect has taken place in the India Office with regard to attending to representations which came from India?—I am not aware of any.

Mr. *Carpenter Garnier*.

1750. Do I rightly gather from your Lordship's evidence that you think the policy of refusing this rate of pay was a mistake at the time, in 1872?—I should hardly like to put it so strongly as that; but I think it was a mistake to make any change before both offices were fully agreed as to what the financial effect was to be on India.

1751. Supposing it was a mistake, you think it can only be remedied by Parliament voting the money out of the Imperial funds?—We are very loth at the India Office, speaking collectively, to admit a precedent which might estab-

Marquess of *Salisbury.*

31 July 1877.

Mr. *Carpenter Garnier*—continued.

lish that an Imperial department could dispose of our money without our consent.

Lord *Frederick Cavendish.*

1752. I understood your Lordship to say in answer to the questions put by the Chairman, "The Imperial Government ought not to have disposed of our money without consulting us." On what occasion did they so dispose of your money?—On the hypothesis that the officers had a right to this 150,000*l.*, then the Imperial Government disposed of it without our consent. Of course, if the officers had not a right to it there was no such encroachment.

1753. But suppose Mr. Cardwell was fully aware that he had no power whatever over the pay and allowances paid by India, he would not have disposed of the Indian money without the consent of the India Office?—Clearly not; but if now, by a retrospective Act, we were to give that colour to his proceedings, we should be admitting that principle.

Mr. *Muntz.*

1754. After the Despatch of the Indian Government of the 17th April 1874, to the Home Office, the allowance was made which came into effect on the 1st of April 1875?—Yes.

1755. That was partly in lieu of the contract allowances?—Where officers were in possession of contract allowances.

1756. Where they were not the allowance was equally made?—Yes.

1757. If it was a just right from the 1st of April 1875, was it not a just right from the commencement of April 1872?—It was not a just right; it was a politic concession.

1758. It was not given by the Indian Council as a just right, but merely as a concession in policy?—Entirely.

Lord *George Hamilton.*

1759. Your Lordship is aware that the assumption upon which the claims of these officers are based, namely, that the issue of a Royal Warrant in this country entitles them to the Indian allowance and pay of the rank which they hold here?—Yes.

1760. That is not a principle which any Secretary of State for India, with the Act of Parliament before him, could for a moment admit, is it?—I think that to admit such a principle would undoubtedly be to endanger the security which Parliament has provided for the revenues of India.

1761. So rooted was this impression in the minds of the officers in India, that perhaps you are aware that Major Buckle, who was reprimanded for having sent a general circular to all the Artillery majors, actually proposed to raise funds in order to sue the Secretary of State for India for the pay which he believed to be due to him, and to other officers?—So I have understood.

1762. You have mentioned that in the Council a compromise was proposed; would you by that compromise have admitted the principle that a Royal Warrant entitles an officer from the date of its issue to the Indian pay and allowances of his rank?—All compromises are liable to the possible charge of admitting a principle; but we

Lord *George Hamilton*—continued.

guarded ourselves from it as carefully as we could.

1763. You were in favour of that compromise as a matter of policy, as you wished to avert the possible contingency of a collision between the House of Commons and the India Office. That collision having taken place, are you still in favour of a compromise?—That is a difficult question; I think I would rather wait to determine it till the question comes before me; but it does not matter very much whether I am in favour of it, as it entirely depends upon the Council of India.

1764. The India claims which we have to investigate, therefore, are those of officers who contend that they are entitled by Royal Warrant to certain Indian allowances?—Yes.

1765. If those claims are conceded it admits the principle upon which they are based?—There is a great danger of its doing so.

1766. And, therefore, you are of opinion that if any concessions were made to the claims of these officers it should come out of the Imperial revenues, because in that case, whatever grievances, supposed or real, the officers believed that they were labouring under, would have been removed, and the principle for which you are contending would also be maintained?—I think so. The Imperial Government is quite strong enough to protect itself against awkward precedents, and the House of Commons will never encourage it in attending to them; but the Indian Government is not in the same happy condition.

1767. And if such a proposal were made that the claims of these officers should be met out of the Imperial revenues, might it not possibly have salutary effect in future in preventing Royal Warrants being issued without the assent of the India Office?—I should not venture to suggest any such corrective process against the Imperial departments.

1768. Questions were asked you as regards the pay of officers in India. You have been twice Secretary of State; have you ever had any petitions or memorials from officers in India stating that whereas they could live on their pay in England they were unable to do so in India?—Never.

1769. And your impression is that rather the reverse is the case?—Decidedly.

Lord *Eslington.*

1770. Is the control which you have described here clearly, which you, Secretary of State in Council, possess over the revenues of India, shared in any degree or way whatever by the Governor General in Council?—In no degree whatever.

1771. Then supposing the Governor General in Council to take a view of the application of Indian revenues different from your own, would any expression of that kind coming from that quarter have any effect with you; would it weigh at all with you?—It would have the greatest possible weight, because we always defer as much as we possibly can to the opinions of the Government of India; but it would have no legal validity.

1772. It would be taken into your careful consideration and judged upon its merits?—Upon its merits, with a very strong desire, if it were possible,

Lord *Eslington*—continued.

possible, to give way to the views of the Government of India.

1773. Now a question or two in regard to this compromise, which I understand your Lordship to have suggested, and to have been overruled in suggesting that compromise. Is not this a fair way to take it; one of two things must be admitted; either the claim of these officers was just, or it was not just; and if it was just, were they not entitled to receive the payment in full; and if it was unjust, they were not entitled to any payment at all?—I am not prepared to say that we measure all our proceedings with the officers of the Indian Army, on the rule of bare and strict justice; on the contrary, I think we have more than once conceded to them things which we thought it desirable to concede, for the purpose of retaining their contentment and affection, but which perhaps in strict argument could not have been sustained. Therefore my answer would be, that as a matter of strict justice, this increase of pay in 1875 was not required, but still that it was wise; but that it by no means carried with it any claim to back pay, which we had not promised, and which was in no way authorised.

1774. Do I understand that the compromise was to the effect, that if payment was to be made at all it was to be made from the Imperial revenues and not the Indian revenues?—No, that was not the compromise; I was, in saying that, merely expressing my own private opinion, that the position which we had taken up rather pointed in that direction; that we did not at all object as a matter of policy to the officers receiving the money, but we thought that they ought to receive it from the authority which had caused the claim.

1775. Then would you mind telling me exactly what the nature of the compromise was which you proposed to your colleagues?—If the noble Lord will pardon me, I should say that was a proposition which, as a solicitor would say, was made without prejudice. I think I would rather not disclose the nature of the compromise.

1776. Do you think that when the declaration was officially made in the House of Commons, that these officers were to receive the rank of field officer, that declaration ought to have been accompanied by a second declaration that they were not to expect to be entitled to the Indian pay and allowances corresponding to that rank?—Without venturing (which it is an invidious thing to do) to criticise the individual action of the Ministers of that day, I should say it would have been very expedient if it had been possible that an arrangement should at the time have been concluded and announced as to the precise effect of this change upon the pay of Indian officers.

1777. Do you not think that in the absence of any such second declaration as I have alluded to, it was not unreasonable or unnatural that these officers should expect that the corresponding Indian pay and allowances should accompany their promotion?—It was not unnatural that they should form such an expectation. That has been stated by the Government of India, and was assented to by us, as one of the grounds on which we made a concession not absolutely required by strict justice, in allowing the claims in 1875.

Mr. *Courtney*.

1778. Mr. Cardwell's speech in introducing the Estimates in 1873 was, of course, in due course dispatched to India in the papers?—I dare say it was, but not officially.

1779. And we may assume that it was read in every mess-room in India?—Probably.

1780. If we put ourselves in the position of the first captain of Artillery reading that speech, do you think that he would have been justified in at once concluding that he had been promoted to the rank of major?—I hope I shall not be thought guilty of a dereliction of official duty, but I have not read the speech myself, and so cannot express an opinion upon the subject.

1781. The ground of the claim of these officers is the speech made in introducing the Estimates?—I understand their claim to be rested on a Royal Warrant; they never would venture in an official document to rest their claim upon what was said in a speech.

1782. The Royal Warrant gave them a promotion?—Yes.

1783. And you allow that it was not an unnatural conclusion on their part that they would have the increase of pay which, before that time, was given to a major?—Not at all unnatural.

1784. At the same time it was not a necessary conclusion?—It was not the necessary conclusion; and it must always be borne in mind that at the time the Government of India informed them that no change would be made.

1785. Simultaneously, do you mean?—Very shortly afterwards.

1786. So that there was no time for the false belief to become inveterate?—Knowing their influence in the House of Commons, I do not think that they were convinced by the announcement of the Government of India.

1787. At all events the false belief was due, not to the action of the Secretary of State for India, or of the Government of India, but to the action of the Imperial Government?—Clearly.

1788. And if their claim is good against anyone, it is against the Imperial Government?—Yes.

1789. You are anxious to avoid a collision between the Council and the House of Commons you have told us; you think that highly important?—I think so. The perogatives of the Council are extremely valuable, but no doubt somewhat anomalous, and I am afraid of any circumstance which shall give to that anomaly any undue emphasis.

1790. Afraid, do you mean, of their powers being abolished?—Or seriously modified.

1791. At the same time they exist for the express purpose of withstanding the Imperial Government?—Yes.

1792. So that if they give way for the sake of avoiding a collision, they do not fulfil that purpose?—They are there for the purpose of withstanding, in the first intance, the Imperial Government. Fortunately the duty of withstanding the House of Commons is not often imposed upon us. I do uot mean to say that if any unfortunate change should come over the spirit of the House of Commons, and they were to show a disregard of Indian revenues, it would not be the duty of those who have the charge of those revenues to make their objections heard; but that is not a danger which weighs upon us much; and the main function of the Council of

Marquess of *Salisbury*.

31 July 1877.

Marquess of *Salisbury*.

31 July 1877.

Mr. *Courtney*—continued.

India is to prevent Imperial Government making undue charges on the revenues of India; the main function of it in its contentious capacity, I mean.

1793. If on this occasion they were overruled, they would, in fact, be giving way to a department of the Imperial Government?—I am not quite sure that they will be overruled.

1794. But in that contingency it would be so?—In that contingency it would be so; but I have already mentioned that Her Majesty's Government are considering if it is possible to arrange some means by which such differences should be arbitrated.

1795. At all events, this question does touch the vital question of the Council?—Undoubtedly.

Mr. *Fawcett*.

1796. I understand that you proposed a compromise which was rejected by your Council by eight to four; you would prefer, naturally, not mentioning what that compromise was?—That is so.

1797. But you also went on to state that afterwards a resolution was passed in reference to this subject which was unanimously approved by the Council; am I right in drawing the conclusion from Sir Frederick Halliday's evidence, that that resolution virtually amounts to this, that the Council is unanimously of opinion that these claims of the officers were not just and reasonable?—I think, "have no equitable validity," if I remember right, was the phrase; and I should mention that that resolution had my assent.

1798. So that the resolution that they had no equitable validity was approved of by you and all your Council?—Yes.

1799. If the Council, without seeing any reason, from the evidence which has been given before this Committee, to change their opinion as to the fact that these claims had no equitable validity, gave way in consequence of the Report of the Select Committee, or in consequence of the Resolutions carried in the House appointing the Select Committee, then it would virtually amount to this, would it not, that it would be sanctioning the principle that a resolution of the House of Commons controlled the finances of India?—That would be the result, undoubtedly.

1800. And, therefore, that being the case, you probably agree with the opinion expressed by Sir Frederick Halliday, that although the amount involved in this case is not large, the principle at stake is one of great moment affecting the Government of India?—Undoubtedly the principle is extremely important.

1801. You distinctly say that what has been done in 1875 by yourself in admitting to a certain extent the claims of the officers was in the nature of a concession?—Entirely.

1802. And that granting that concession constitutes no reason whatever why these claims beforehand should be conceded?—Not in the least degree.

1803. Rather the reverse, would it not, because it was looked upon as a favour?—It is rather hard that because we give one favour we should be made to give two.

1804. That the fact of your having given one favour should be urged against you as a claim to the second?—It is not an encouragement to concessions in the future.

Mr. *Fawcett*—continued.

1805. I understood you to say that you admitted a considerable difference, after making all allowance for the extra expense that the English officers in India are put to, between the pay they receive in India and the pay they receive in England?—That is my belief.

1806. And the extra pay which they would have received as majors would have been entirely a net addition, because, with regard to these expenses, which have been referred to for houses, tentage, baggage, travelling, all those expenses they would have to bear as first captains?—I believe so, and to exactly the same extent.

1807. And therefore the addition which they would have received as majors would have been entirely a net addition?—I believe so.

1808. And therefore your contention is correct, that whereas, giving these first captains the position of majors and the pay of majors in England would have improved their position by 90 *l.* a year net, it would have improved their position by 390 *l.* a year net in India?—Exactly so. I am speaking, of course, of those captains in India who received no accidental advantages.

1809. And therefore, so far as those persons were concerned, this promotion, which would have cost in each individual case 90 *l.* to England, would have cost a much poorer country like India more than four times as much in each individual case as it cost England?—Precisely so.

1810. And that may be used as a very strong illustration of the great watchfulness which has to be exercised by the India Office with regard to the financial effects of any change in the military organisation?—Exactly so; an increase which is a small thing to England is a very serious thing to India.

1811. And, considering the wealth of England and India respectively, if the figures had been exactly reversed, if, that is to say, it had cost India 90 *l.* a year and England 390 *l.* a year in each individual case, the charge even then would have been more serious to India than to England?—I should think so, considering our extreme difficulty of finding any new resources in India.

1812. I do not want to go into a discussion of the position of India, but considering the difficult financial position of India there never was a time when those who are responsible for these finances, namely, the Secretary of State for India and the Council, should be more watchful than at the present moment?—Undoubtedly; natural causes have pressed us very hard these last few years.

1813. They have brought an unprecedented pressure on the finances of India, and that is the more reason why you should be extremely careful and watchful?—We feel that duty very strongly.

Sir *Walter Barttelot*.

1814. A great deal has been said about the difficulty between the War Office and the India Office; let me ask you this one question; would it be possible, in your opinion, that a fair average should be taken, so that a lump sum might be paid by the Imperial Government for the English Army serving in India?—Then the English Government must never change its military policy.

1815. That lump sum might be revised; it might be taken on a certain number of years; I do not want to go into the question, but merely to

Sir *Walter Barttelot*—continued.

to ask you whether it is one of those questions which could be considered and would be thought advisable?—There is of course an additional difficulty in such a case, that the number of men in India is not absolutely constant, and from time to time propositions are made, and are very likely to be entertained, for slightly reducing the European element in the military force of India. But the principle that has been suggested by the honourable Member is to some extent in operation, because we do pay a capitation sum for each individual soldier, though that is not the whole of what we pay for him, but only a part of what we pay for him.

1816. Could not an Army Estimate be laid on the table for India the same as for England, which should cover all the expenses for the year of the Indian Government?—I do not imagine that there would be any serious difficulty about that, but I doubt whether the House of Commons would be willing to give much time to its discussion.

1817. But a matter of that kind would solve such difficult questions as we now have before us, would it not?—I understood the honourable Member to mean, that the controversies which have existed and are existing between the India Office and the War Office, should then be settled by resolution of the House of Commons.

1818. No; but that naturally any alteration which would be made would then appear in this Army Estimate, and if there was to be an increase of pay that would be presented by the Indian Government and the War Office, and would be laid upon the table of the House of Commons, so that no difficulty afterwards would ensue?—The difficulties do not arise afterwards; the first difficulty always is in arriving at that settlement; we have not succeeded in doing it yet.

1819. But although you are considering the question, as I understand, and as we have been led to believe from evidence that has been before us, yet you have not come to any definite conclusion upon what would be the best way of arranging these matters between the War Office and the India Office?—No; I think that we are in a fair way to an arrangement, but it is not sufficiently advanced for me to be able to indicate what its nature would be.

1820. Now you are perfectly well aware that the one great point that is always enforced in the Army is that equal justice should be served out to all?—It is a most creditable sentiment, and we are desirous to give effect to it in every way.

1821. And perhaps you are also aware that that to which the soldier looks so much, beginning in the lowest ranks, and going upwards, is that his pay should be accurately and promptly paid to him?—Undoubtedly.

1822. In the beginning of 1872 you find this fact, do you not, that by a Royal Warrant the captains of Artillery commanding batteries and captains of Engineers are made majors in the Army?—Yes.

1823. They were not made brevet majors as was suggested by Sir Thomas Pears, but they were made substantive majors in the Army?—Yes.

1824. In England that at once carried the pay and allowances of a major?—Yes.

Mr. *Walter Barttelot*—continued.

1825. Can you tell me of any instance where, when they have gone from England to India as majors, captains, or what not, they have not in India received the same pay of their rank there?—I suppose they have received the pay that was assigned to them by the regulations of the service at the time.

1826. Then do you not think that these men (in fact you have admitted as much), their brother officers in England getting that pay and allowances, had a fair right to think that they would have it in India?—If they had only had the 92 *l.* extra which the majors got in England we should not have found it so burdensome.

1827. No; but that is not quite the question, because you admit that the pay and allowances are larger in India?—Undoubtedly.

1828. And nobody disputes that point; but are not the pay and allowances of all civil servants in India larger than they are anywhere else?—Very much.

1829. And you think that in the interest of India the Governors and others in India should receive much larger salaries than they do in any of the other Colonies?—I do not think it is desirable to reduce them.

1830. Then surely if that is the case the Army have a very fair claim to your consideration?—As a general rule, that is undoubtedly true; but in this case there was no very material increase, if there was any, of duty, and there was a very large increase of money, and we did not think that it was necessary for the public service that that increase should take place. We might, after discussion, have thought that it was wise to go with the Imperial Government in the matter; I do not know what the decision would have been; but our present contention is that it could not have been decided behind our backs.

1831. That is a point that does not affect the officers themselves; they have to look naturally to the War Office and to the India Office to do justice to them?—Yes.

1832. And you, the moment you came into office, did consider this question very fairly?—Yes.

1833. And you determined to arrive at a compromise?—Yes; on the recommendation of the Government of India.

1834. If you determined to arrive at a compromise in 1874, why were those officers who were serving between 1872 and 1874 to be left out from all benefit of that compromise?—The compromise was not in our judgment an act of justice, but a concession which we thought it wise and politic to make; but I do not see how it would be possible to admit the principle that when a concession is made to a particular person at a particular time, it gives him a claim to concessions that are not made at some other times.

1835. Except that that concession would never have been made unless the Royal Warrant had been passed making them majors in the Army?—Probably not.

1836. Now all that class of men which I am endeavouring to bring before you, have served in India from 1872, and returned to England in 1874, and they have never benefited anything by that Royal Warrant?—The Royal Warrant carried no indication within its terms, that they would benefit by it in India; the India Office, which was the legitimate authority in the case,

Marquess of *Salisbury*.

31 July 1877.

Sir *Walter Barttelot*—continued.

never indicated any intention that they should benefit; it was not part of the contract under which they originally entered the Army, or accepted any duties in it, and therefore no obligation rested on the Government to make to them that payment.

1837. But notwithstanding all that, the moment you came into office, you thought the case did deserve your serious consideration, and you at once recommended a compromise, which was adopted?—I thought it was not desirable, in view of a great many circumstances which it is not necessary to dwell upon, that a sore should continue of this character in the Indian Army.

1838. Do you not think that it would have been equally wise, and equally prudent and just, to have considered the claims of these officers between 1872 and 1874?—Undoubtedly the question raises one of the greatest difficulties in policy that have to be decided, the limits to which a concession must go. It is quite clear that if on the ground of avoiding a sore you concede everything that is asked of you, there will never be any end to the things that are asked of you. On the other hand, you have to avoid equally the opposite error, of perpetuating discontent by refusing requests which you can, without any very great injury, concede. But as I have to repeat, in the present instance, our refusal rests on the fact of the War Office not having obtained our consent preliminarily; and is directed to avoiding the sanction of any principle which should encroach upon the independence of the Council in matters of Indian revenue.

Sir *Walter Barttelot*—continued.

1839. So far as you see, and so far as you have considered the case, you can see no reason why the Duke of Argyll in 1872, might not have considered the case, and have made, if he thought right, the same compromise that you have made in 1874-75?—My impression is, that if the matter had been *res integra* when I had to do with it, we might have found some middle term more advantageous to the Indian taxpayer; but as the matter then stood, I saw no solution, except to give them the increased pay of the rank that had been assigned to them.

1840. But if that had been done in 1872, this difficulty would never have arisen?—Undoubtedly.

1841. And therefore, on that account, as I think I gathered from your answers to one or two questions from my gallant friend in the Chair, your sympathy decidedly was with the officers?—I feel that they have been led into a very natural misconception. I wish to express myself so as to avoid anything that can be construed into any kind of censure on the Ministers of the day, but I think it was unfortunate that this difficulty should not have been provided against before the Royal Warrant was issued.

1842. The officers appealed the moment they heard the decision of the India Office, did they not?—Very shortly afterwards.

APPENDIX.

LIST OF APPENDIX.

Appendix, No. 1.

Papers laid before the Committee by Lord George Hamilton: PAGE

Letter from the Under Secretary of State, War Office, to the Under Secretary of State, India Office, dated 20 April 1876 (with Enclosure) - - - - - - - 117

Letter from the Military Secretary, India Office, to the Under Secretary of State, War Office, dated 2 August 1876 - - - - - - - - - - - - 118

Letter from the Under Secretary of State for War to the Under Secretary of State for India, dated 9 June 1875 - - - - - - - - - - - - - 118

Letter from the Military Secretary, India Office, to the Under Secretary of State for War, dated 30 June 1875 - - - - - - - - - - - - - 118

Letter from the Under Secretary of State for War to the Under Secretary of State for India, dated 4 July 1875 - - - - - - - - - - - - - 119

Letter from the Military Secretary, India Office, to the Under Secretary of State for War, dated 3 August 1875 - - - - - - - - - - - - - 119

Letter from the Military Secretary, Horse Guards, to the Under Secretary of State, India Office, dated 23 June 1875 (with Four Enclosures) - - - - - - 119

Letter from the Military Secretary, India Office, to the Military Secretary, Horse Guards, dated 3 August 1875 - - - - - - - - - - - - 121

Letter from the Under Secretary of State, War Office, to the Under Secretary of State, India Office, dated 3 August 1876 - - - - - - - - - - - - 122

Letter from Sir T. T. Pears to the Under Secretary of State, War Office, dated 10 August 1876 - - - - - - - - - - - - - - - 122

Letter to His Excellency the Right Honourable the Governor General of India in Council, dated 18 July 1872 (with Six Enclosures) - - - - - - - - 123

Extract Military Despatch to the Government of India, No. 35, dated 3 February 1876 - - - - - - - - - - - - - - - - - 128

Appendix, No. 2.

Paper laid before the Committee by Colonel Radcliffe:

Return of the Number of Artillery Batteries in India on the 1st January 1868, and the 1st January in each succeeding Year, showing the First Captains in Command of Batteries for which Contract Allowances were granted, and of Batteries for which no such Allowances were granted - - - - - - - - - - 129

Appendix, No. 3.

Papers received from the Horse Guards:

Letter from Sir Richard Airey to the Under Secretary of State, War Office, dated 28 September 1874 (with Enclosures) - - - - - - - - - - 130

Letter from Lieutenant General Sir F. P. Haines, K.C.B., Commander in Chief, to the Adjutant General in India, Simla, dated 23 July 1874 (with Enclosures) - - 132

Letter from the Military Secretary, India Office, to the Military Secretary, Horse Guards, dated 16 October 1874 - - - - - - - - - - - 135

Letter from the Military Secretary, Horse Guards, to the Under Secretary of State, India Office, dated 13 October 1874 - - - - - - - - - - - 135

Letter from the Military Secretary, India Office, to the Military Secretary, Horse Guards, dated 15 October 1874 - - - - - - - - - - - 136

Letter from the Military Secretary, Horse Guards, to the Under Secretary of State, India Office, dated 3 November 1874 - - - - - - - - - - - 136

Letter from the Military Secretary, India Office, to the Adjutant General, Horse Guards, dated 4 November 1874 - - - - - - - - - - - - 136

Appendix, No. 4.

Memorandum for the Chairman of the Committee at the House of Commons, on the Question of the Pay of Majors of Royal Artillery in India, at his request - - - 137

Return showing the Number of Brevet Field Officers being Captains, belonging to Batteries of Royal Artillery on the Indian Establishment, on the 5th July 1872 - - - - 137

Communication from the Master General to the Officers of the Royal Artillery, dated 6 November 1827 - - - - - - - - - - - - - - - 138

APPENDIX.

Appendix, No. 1.

PAPERS laid before the Committee by Lord *George Hamilton.*

(48. A.—1896.)

The Under Secretary of State, War Office, to the Under Secretary of State, India Office.

Sir, War Office, 20 April 1876.

I AM directed by Mr. Secretary Hardy to transmit to you, to be laid before the Secretary of State for India in Council, copy of a letter from the Commander in Chief in India relative to memorials from officers of the Royal Artillery, submitting their claims to the difference of pay between that of first captain and that of major from the date of the Royal Warrant giving them majors' pay and allowances, or the date of their promotion to that rank, or from the date of first arrival in this country in that rank.

I am, &c.
(signed) *Cadogan.*

The Under Secretary of State,
India Office.

"PAY."

(No. 4310.)

Sir, Head Quarters, Simla, 9 August 1875.

I HAVE the honour to state, for the information of His Royal Highness the Field Marshal Commanding in Chief, that I have received memorials from the following officers of the Royal Artillery, submitting their claims to the difference of pay between first captain and major from the date of the Royal Warrant giving them majors' pay and allowances, or the date of their promotion to that rank, or from date of first arrival in this country in that rank.

I do not forward the memorials, because they are precisely similar to the three transmitted with my letter, No. 771—Camp, dated 18th February 1875.

Some of the officers in question had been receiving the pay of major while at home, and on arrival in India found themselves restricted to the Indian pay and allowances of a first captain.

I have informed the officers that the question has been submitted for His Royal Highness' consideration.

Major E. W. Childers.	Major C. W. Wilson.
„ A. M. Rawlins.	„ H. W. Stackley.
„ A. Wynch.	„ H. M. G. Purvis.
„ H. McLeod.	„ G. F. Worsley.
„ H. J. Thornton.	„ T. Nicholl.
„ G. N. Knox.	„ T. Mahon.
„ R. S. Hamond.	„ J. Ritchie.
„ W. B. E. Ellis.	„ E. C. W. Raynsford
„ P. H. Harcourt.	„ A. J. Wake.

I have, &c.
(signed) *Napier of Magdala,* General,
Commander in Chief in India.

The Adjutant General to the Forces,
Horse Guards, War Office, London.

Appendix, No. 1.

(No. 364. W.)

The Military Secretary, India Office, to the Under Secretary of State, War Office.

Sir, India Office, S.W., 2 August 1876.

I AM directed by the Secretary of State for India in Council to acknowledge the receipt of your letter of the 20th April, forwarding copy of a letter from the Commander in Chief in India relative to memorials from officers of the Royal Artillery, submitting their claims to the difference of Indian pay and allowances between those of first captain and major, from the date of the Royal Warrant of 5 July 1872, or from date of arrival in India, and to inform you that it has been laid before the Secretary of State in Council.

I have, &c.
(signed) *T. T. Pears*, Major General,
Military Secretary.

The Under Secretary of State,
War Office.

The Under Secretary of State for War to the Under Secretary of State for India.

(48.—General No.—1077.)

Sir, War Office, 9 June 1875.

I AM directed by Mr. Secretary Hardy to acknowledge the receipt of your letter of the 5th of August last, No. 292 W. Military, forwarding for his information the copy of a Despatch to the Government of India relative to the pay of majors of Royal Artillery and Royal Engineers in that country.

The arrangements sanctioned in the Despatch referred to will in all probability involve a readjustment in the pay, command pay, and extra pay of the majors of Royal Artillery and Royal Engineers on the Imperial Establishment.

Every endeavour is now made at this office to inform the Secretary of State for India, as early as possible, of any changes in the organisation and establishment of the Imperial Army which are likely, directly or indirectly, to cause expense to the Indian Exchequer; and Mr. Hardy would be glad to be assured, in his turn, that he will for the future receive notice prior to the promulgation of any such measure as that now referred to, which, it will be observed, has indirectly caused increased expenditure to Imperial funds.

I have, &c.
(signed) *Fred. Stanley.*

The Under Secretary of State
for India.

The Military Secretary, India Office, to the Under Secretary of State for War.

(276 W.)

Sir, India Office, 30 June 1875.

I AM directed by the Secretary of State for India in Council to acknowledge the receipt of your letter of the 9th instant, on the subject of the late revision of the pay and allowances of majors of Royal Artillery serving in India, in which it is stated that every endeavour is now made by the War Department to inform the Secretary of State for India, as early as possible, of any changes in the organisation and establishment of the Imperial Army which are likely, directly or indirectly, to cause expense to the Indian Exchequer; and that Mr. Hardy would be glad to be assured, in his turn, that he will for the future receive notice prior to the promulgation of any such measure as that of the late revision of pay in the Royal Artillery, which measure, it is observed, has indirectly caused increased expenditure to Imperial funds.

In reply, I am to state that Lord Salisbury would much regret that any decision, with respect to the army in India, which would in any way increase Imperial military expenditure, should be arrived at by the Secretary of State in Council, without previous communication with the Secretary of State for War. His Lordship, however, is not aware that any proceedings of this nature, on the part of the Government of India, have heretofore had such effect, and he would be glad to be informed in what manner the late measures affecting the Indian pay of majors of Artillery has tended to augment the military charges in this country.

I have, &c.
(signed) *C. Mason*,
For the Military Secretary.

The Under Secretary of State
for War.

The Under Secretary of State for War to the Under Secretary of State for India.

(48—General No.—1077.)

Sir, War Office, 4 July 1875.

I AM directed by Mr. Secretary Hardy to acknowledge the receipt of your letter of the 30th ultimo, No. 276 W., and in reply to point out that when the Secretary of State for India in Council approved of the Majors of Royal Artillery and Royal Engineers who were serving in India receiving pay at the rates appropriate for Majors of Cavalry and Infantry respectively, it became practically impossible to refuse a similar grant to officers of that rank who are on the British Establishment.

i. e. horse artillery as cavalry, the rest as infantry.

As shown in the annexed statement, this will involve, in the cases of majors who are not employed regimentally, an increased expenditure of about 560 *l.* a year.

I have, &c.

The Under Secretary of State for India. (signed) *Fred. Stanley.*

STATEMENT.

ROYAL ARTILLERY.—MAJORS not in Command of Batteries.

	£	*s.*	*d.*	
At present receiving - - - - - - - - -	–	14	6	a day
Under new arrangements receiving - - - - - -	–	16	–	„
Difference 1 *s.* 6 *d.* a day, or 27 *l.* 7 *s.* 6 *d.*, which for 13 majors -	360	–	–	

ROYAL ENGINEERS.—MAJORS Abroad or in London.

	£	*s.*	*d.*
Former Rates:—Pay 15 *s.*, Extra Pay 15 *s.* - - - - -	1	10	–
New Rates:—Pay 16 *s.*, Extra Pay 14 *s.* - - - - -	1	10	–
At Home:			
Pay 15 *s.*, Extra Pay 7 *s.* 6 *d.* - - - - - - - -	1	2	6
New Rates:—Pay 16 *s.*, Extra Pay 6 *s.* 6 *d.* - - - - -	1	2	6

It will be observed that the adjustment is effected by an addition of 1 *s.* to the ordinary, and a deduction of 1 *s.* from the extra pay.

But as there are always 10 or 11 majors not in receipt of extra pay, from whom no reduction can be made, so that there is an increased expenditure of about 200 *l.* on this head.

The Military Secretary, India Office, to the Under Secretary of State for War.

(303 W.)

Sir, India Office, 3 August 1875.

I AM directed by the Secretary of State for India in Council to acknowledge the receipt of your letter of the 4th ultimo, and to acquaint you, in reply, that in any case in which it may appear that a measure contemplated by the Secretary of State for India in Council is likely to cause an increase to Imperial military expenditure, the Secretary of State for War will be consulted before a decision is arrived at.

I have, &c.

The Under Secretary of State for War. (signed) *H. C. Pierson,*
For the Military Secretary.

The Military Secretary, Horse Guards, to the Under Secretary of State, India Office.

Sir, Horse Guards, 23 June 1875.

I AM desired by the Field Marshal Commanding in Chief to submit, for the consideration and decision of the Right Honourable the Secretary of State for India in Council, the enclosed letters from the officers of the Royal Artillery named in the margin, in which they set forth claims to the pay of the rank of major whilst serving in India from the 5th July 1872, the date of the Royal Warrant promoting them to that rank.

Lieut.-Col. H. M. G. Purvis	2 June 1875
Major G. F. Worsley -	- 7 June 1875
Major J. Ritchie -	- 7 June 1875
Major C. E. Newport -	- 18 June 1875

I have, &c.

The Under Secretary of State, India Office. (signed) *A. Horsford.*

Appendix, No. 1.

Royal Artillery Office, Portobello, Dublin,
2 June 1875.

Sir,

I HAVE the honour to request you will forward, for the favourable consideration of His Royal Highness the Field Marshal Commanding in Chief, this, my complaint, which for the last two years and a half I have urged, but have hitherto been unsuccessful in obtaining redress.

On the 5th July 1872, while serving in India, I was, by Royal Warrant of 5th July, promoted from first captain in the Royal Artillery to the rank of major in the same. From that date until my promotion to the rank of lieutenant colonel in the Royal Artillery on the 31st October 1874, I received no extra rate of pay or allowances whatever as major above what I had received when only a first captain.

From November 1872 until shortly before I left India at the beginning of this year, I have written through the Commander in Chief of the Bombay Army, begging my case might be laid before His Royal Highness the Field Marshal Commanding in Chief, but I never received any reply conveying any decision on the matter.

I believe there can be no doubt that I was, during the whole time I held the rank of major of Royal Artillery in India, entitled to the pay which majors have by a recent order at length been allowed to draw since 1st April 1875 in India, and I trust you will have the goodness to favourably recommend the same for consideration of His Royal Highness.

I have, &c.
(signed) *H. M. G. Purvis,*
Lieutenant Colonel,
14th Brigade, Royal Artillery.

The Deputy Adjutant General,
Royal Artillery, War Office.

Woolwich, 7 June 1875.

Sir,

I HAVE the honour to request you will submit this letter to the colonel commanding, on the subject of difference of pay between captain and major, which is due to me, at India rates, from the 5th July 1872 to the 23rd November 1874, and I shall be much obliged if the commanding officer will forward the same through the usual channel for the favourable consideration of His Royal Highness the Duke of Cambridge, as a long period has elapsed, and there appears to be no sign of my obtaining the pay above mentioned, to which I am entitled by Royal Warrant.

2. I was promoted to the rank of major while serving in India, on the 5th July 1872, by Royal Warrant bearing that date, but up to the date of my leaving India, which I did with my battery on the 23rd November 1874, I received only the pay of the rank of captain, the Indian Government refusing me any increase of pay on my promotion.

3. On the 30th May 1873, being still on captain's pay, I submitted a letter to the Commander in Chief of the Bombay Army, asking that the pay of my rank might be granted me, and respectfully requesting that my letter might be forwarded to His Royal Highness the Field Marshal Commanding in Chief, in order that I might be righted in the matter of my pay. To this communication I received no reply.

On the 23rd May 1874 I again appealed to the Commander in Chief of the Bombay Army, stating that as a year had elapsed since I wrote my former letter, I begged to submit a second reference on the same subject. In reply to this I was informed that my letter of 30 May 1873 had been forwarded for submission, and that His Royal Highness' pleasure should be awaited.

4. As nearly three years have now elapsed since I first became entitled (5 July 1872) to the pay of major, I beg again humbly to request that my claim to the pay of my rank (to which I was duly promoted by Royal Warrant on the 5th July 1872) may be favourably considered, and that I may receive the difference between the pay of captain and that of major, at Indian rates, from the 5th July 1872 to the 23rd November 1874.

I have, &c.
(signed) *G. F. Worsley,* Major, R.A.

The Adjutant,
18th Brigade, Royal Artillery, Woolwich.

Forwarded for the consideration of the Deputy Adjutant General.

(signed) *T. E. Byrne,* Lieut.-Col., R.A.,
Commanding 18th Brigade.

7 June 1875.

Sir, Woolwich, 7 June 1875.

I BEG respectfully to request that you will forward the following case, in a matter personally concerning myself, to the higher authorities, with a view, should they deem it proper, to its being laid before His Royal Highness the Field Marshal Commanding in Chief, whose assistance in obtaining redress I most humbly and respectfully solicit.

2. On the 5th July 1872, while in India, I was promoted to the rank of major in the Royal Artillery by Royal Warrant, but on applying for the pay of that rank, which by the wording of the Royal Warrant I was led to expect, I was refused it, and only received captain's pay up to the time of my quitting India.

3. Increased pay has now been sanctioned to majors of Royal Artillery in India, and I most respectfully submit that I am entitled to the difference between the pay of captain and that of major from the 5th July 1872 till the 22nd May 1873, and from the 11th March 1874 till the 24th November 1874, being the periods I was in receipt of captain's pay in India; during the intervening time I received the pay of major at the English rate, having been on leave in England.

I have, &c.
(signed) *J. Ritchie*,
Major, 18th Brigade, Royal Artillery.

The Officer Commanding
18th Brigade, Royal Artillery.

Forwarded for the consideration of the Deputy Adjutant General.

(signed) *T. E. Byrne*,
Lieutenant Colonel, Royal Artillery,
Commanding 18th Brigade.

7 June 1875.

Sir, Woolwich, 18 June 1875.

I HAVE the honour to request you will submit to the favourable consideration of His Royal Highness the Commander in Chief my application for the arrears of pay due to me, being the difference between captain's and major's pay at Indian rates, from the 5th July 1872 (the date of my promotion to major), up to the 18th November 1875, the day on which I left India, and from which time I have received full major's pay, but not the period above specified, although the while I was in every respect a full regimental major.

I have, &c.
(signed) *C. Newport*,
Major, Royal Artillery.

To the Adjutant,
18th Brigade Royal Artillery.

Forwarded to the officer commanding Field Artillery.

(signed) *T. E. Byrne*,
Lieut. Colonel, Royal Artillery,
Commanding 18th Brigade.

19 June 1875.

Forwarded to Deputy Adjutant General, Royal Artillery.

(signed) *W. Aitken*, Colonel,
Commanding Field Artillery.

The Military Secretary, India Office, to the Military Secretary, Horse Guards.

(424*a*—H.)

Sir, India Office, 3 August 1875.

I AM directed by the Secretary of State for India in Council to acknowledge the receipt of your letter of the 23rd June, forwarding four letters from officers holding the rank of major in the Royal Artillery on the subject of the pay drawn by them whilst serving in India during periods since 5th July 1872.

2. In reply, I am to observe, that previous to the issue of the Royal Warrant of 5th July 1872, in the course of the correspondence which took place between the War and Indian Offices with reference to the proposed increase of pay to majors of Royal Artillery, the Secretary of State for War expressed his opinion that the contract allowances drawn in India by these officers were so beneficial as practically to make the emoluments of the Field Artillery captain greater than those of the major of the Line, and that consequently the large additional expenditure from the Revenue of India apprehended by the Secretary of State for India in Council, as a consequence of the proposed measure, need not be incurred. The aggregate pay drawn in India by officers commanding batteries was accordingly not increased as a consequence of their promotion to the rank of major.

Vide Letter from War Office, 3 February 1872, and page 5 of House of Commons Return, 251, of 1875.

 3. Subsequently

Appendix, No. 1.

3. Subsequently it was determined, as His Royal Highness the Field Marshal Commanding in Chief is no doubt aware, to increase the Indian pay and allowances drawn by the majors of Royal Artillery in virtue of their rank, and to withdraw the contingent advantages enjoyed by them as commanders of batteries.

4. With reference to the claims of the four officers whose applications accompany your letter, Lord Salisbury has directed me to state that these officers have already received whilst serving in India the allowances fixed by the Regulations in force in that country, as remuneration for the duties performed by them.

I have, &c.
(signed) *H. C. Pierson.*

The Military Secretary,
Horse Guards.

(No. 48 A.—1940.)

The Under Secretary of State, War Office, to the Under Secretary of State, India Office.

Sir, Pall Mall, 3 August 1876.

I AM directed by the Secretary of State for War to acknowledge the receipt of your letter of the 13th ultimo (No. 342 M.), informing him that any representation which an officer of the British Army may desire to make regarding his claims to pay under Indian Regulations while employed in India, should be addressed to the authorities in that country.

In reply, Mr. Hardy would invite the attention of the Marquis of Salisbury to the fact that this course, if adopted, would be a direct violation of the principle laid down by the Secretary of State for India, in paragraphs 11 and 12 of his Despatch to the Government of that country, dated 9th July 1874, of which a copy was forwarded for the information of this Department, in your letter of the 5th August 1874, and which forbids applications of this nature to be forwarded to the Indian authorities.

Under these circumstances it appears to Mr. Hardy that it would be useless to instruct officers to address their applications to India.

I have, &c.
(signed) *J. C. Vivian.*

The Under Secretary of State,
India Office.

(N. 379 W.)

Sir *T. T. Pears* to the Under Secretary of State, War Office.

Sir, India Office, 10 August 1876.

I AM directed by the Secretary of State for India in Council to acknowledge the receipt of your letter of the 3rd instant (No. 48 A.—1940), having reference to a letter from this office, dated the 13th ultimo, in which it was pointed out, with reference to an application from Major Manderson, R.H.A., that any representation which an officer of the British Army may desire to make regarding his claims to pay under Indian regulations while employed in India, should be addressed to the authorities in that country, and stating that, in the opinion of Mr. Hardy, this course, if adopted, would be a direct violation of the principle laid down by the Secretary of State for India, in paragraphs 11 and 12 of his Despatch to the Government of that country, dated 9th July 1874, which forbids applications of this nature to be forwarded to the Indian authorities.

2. In reply, I am to request that you will be good enough to point out to Mr. Hardy that the instructions referred to as having been communicated to the Government of India in the above-mentioned Despatch, obviously relate to communications on the part of officers of the British Army serving in India against existing rules of the service in that country.

3. Lord Salisbury cannot doubt but that Mr. Hardy will agree with him as to the propriety of requiring that all appeals of this nature should be addressed by officers of the British Army to the War Department, under whose authority their professional career is passed, and by whom they have been detailed for duty in India.

4. On the other hand, Mr. Hardy will observe that the representation of Major Manderson was of a totally different nature. It was a claim apparently for difference of

of pay stated to be due "for several months in India." Questions of this nature involving adjustment of pay, due under the regulations in India, are, as Mr. Hardy is aware, never settled in this country except under special communication from the local authorities; and it is the invariable practice to refer all claimants for pay and allowances due up to a date prior to their embarkation from India to the local authorities.

I have, &c.
(signed) *T. T. Pears.*

(Military, No. 141.)

To His Excellency the Right Honourable the Governor General of India in Council.

My Lord, India Office, London, 18 July 1872.

Para. 1. I FORWARD, for your Lordship's information, copy of a correspondence with the War Office,* relating to proposed Royal Warrants for making certain changes in the organisation of the Corps of Royal Artillery and Royal Engineers.

* Letter to War Office, 5th February 1872, No. 69 W.
Letter from War Office, 8th February 1872.
Letter from War Office, 15th June 1872.
Letter to War Office, 11th July 1872, No. 310 W.

2. With a view to carrying into effect the intentions of Her Majesty's Government with regard to the operation of these Warrants upon Officers serving in India, as communicated to the War Office in the letter from this office, dated the 11th July 1872, No. 310 W., I have to request that your Government will, immediately upon the receipt in India of these Warrants notifying the substitution of the rank of Major for that of First Captain in the Royal Artillery and Engineers, publish a notification stating clearly what will be in the case of Regimental Majors of Royal Artillery and Engineers,—

1st. The Indian pay and allowances.

2nd. The furlough pay.

3rd. The retired pay in the case of officers retiring on the full-pay pension of their rank under Indian regulations.

3. The first will be the exact amount now drawn by First Captains of those Corps.

4. The second and third will be the British pay† laid down in the Warrants of the 5th July. The pay of the Officers of Artillery hitherto holding the rank of Second Captain will remain unaltered.

† Viz., Artillery, 14 *s.* 6 *d.* per diem. Engineers, 15 *s.* per diem.

5. You will at the same time notify the rate of Indian pay and allowances to be drawn by all Lieutenant Colonels of Royal Artillery and Engineers serving in India, which will be the same as that now drawn by Lieutenant Colonels of those Corps. The distinction heretofore in force between the two classes of Lieutenant Colonels, those on Lieutenant Colonel's and those on Major's pay, being abolished, as regards their pay, furlough pay, and pension.

6. With a view of improving the position of Officers of Royal Artillery commanding garrison batteries, I request that you will, on the same occasion, cause to be notified that the command allowance for a garrison battery will be increased from 30 rupees to 100 rupees per mensem.

I have, &c.
(signed) *Argyll.*

ENCLOSURES.

No. 1.

(No. 69 W.)

Sir, India Office, 5 February 1872.

I AM directed by the Secretary of State for India in Council to request that you will bring to the notice of the Secretary of State for War that of the various changes in the organization of the British Army which either have been actually made from time to time, or which may be now in contemplation, many will inevitably affect for good or evil the financial interests of British India, and I am to express a hope that all proposed measures of this nature may be not only considered by Mr. Cardwell in their possible effect upon the military expenditure of that country, but that they may be referred for the expression of an opinion on the part of the Secretary of State for India in Council before being finally adopted.

2. The Duke of Argyll has been led to urge this point upon the attention of Mr. Cardwell in consequence of information having reached him that it is in contemplation to introduce

Appendix, No. 1.

introduce a change in the organization of the Royal Artillery, which, whatever may be its financial effects in this country, would lay upon the finances of India a large additional burden, of the necessity of which his Grace is not at present in a position to form an opinion.

3. His Grace has reason to believe that it is proposed not only to restore to the Corps of Artillery the grade of Major, which was deliberately abolished in 1827 as being unsuited to that arm of the service, but to substitute that grade regimentally for that of First Captain.

4. The immediate effect of this measure on India would be to increase the pay of 120 Officers by about 420 *l.* per annum, thus making an immediate addition of 50,000 *l.* a year to the Indian Military Expenditure, without calculating the effect that would be produced if, as it is presumed would be the case, a similar course were followed as regards the Engineers.

5. The Duke of Argyll cannot doubt but that Mr. Cardwell will recognise the importance of regulating military arrangements in this country, as far as sound principles of military organization will admit, by a reference to the interests of the Indian, no less than to those of the more wealthy British, taxpayers, and that neither the particular measure to which I have referred, nor any other measure having a similar bearing on the interests of the former, will be finally sanctioned until the views of the Secretary of State in Council have been recorded upon the subject.

I have, &c.

The Under Secretary of State for War. (signed) *T. T. Pears.*

No. 2.

Sir, War Office, 8 February 1872.

I AM directed by the Secretary of State for War to acknowledge the receipt of Major General Sir T. Pears's letter of the 5th instant, and in reply I am to request that you will state to the Secretary of State for India in Council that Mr. Cardwell admits that Indian financial considerations ought not to be overlooked in dealing with questions of military expenditure.

He has always acted on this principle, and more especially in the reductions, both as respects Artillery and Cavalry, which were made when the large financial deficit of India was discovered in 1869–70.

But he must, at the same time, consider that what is just and expedient, or even necessary, for the British Army cannot be set aside because the peculiar arrangements of India render the change more expensive in that country than in this.

The financial arrangements of India and the military allowances are in the control of the Secretary of State for India in Council, and if the allowances are too large, the Secretary of State in Council can reduce them only, considering the opinion of the Secretary of State for War so far as the fair position of Officers of the British Army may require.

In the particular case of Majors of Royal Artillery, which Mr. Cardwell gave the Duke of Argyll to understand was under consideration, Mr. Cardwell believes that the contract allowances of Captains of mounted batteries are so beneficial in a pecuniary sense to the holders, being much in excess of what is required for the efficient maintenance of the batteries, as practically to make the emoluments of the Field Artillery Captain greater than those of a Major of the Line, and he sees no reason therefore why, if the rank of Major shall be established in the Royal Artillery, the expense to India need be increased by the sum of 50,000 *l.*

I have, &c.

The Under Secretary of State for India. (signed) *J. C. Vivian.*

No. 3.

Sir, War Office, 15 June 1872.

I AM directed by Mr. Secretary Cardwell to transmit to you, for the information of the Secretary of State for India, copies of Warrants which he proposes to submit for the approval of Her Majesty, having for their object the improvement of the condition of the Officers of the Royal Artillery and Royal Engineers.

In addition to the measures therein contemplated, he has also found it necessary to decide that in all cases in which Officers of the Royal Artillery of and above the rank of Lieutenant Colonel shall hold appointments away from their brigades, they shall be retained as supernumerary to the establishments of their brigades, whenever the total service of the senior Officer below that rank shall reach 25 years; and also that all Officers below the rank of Lieutenant Colonel holding appointments away from their batteries shall be supernumerary to the fixed establishment of their rank whenever the necessity of the service shall require it; it is obvious, however, that the more sparingly this practice is adopted the less difficulty will arise in future in providing promotion for the Corps.

Mr.

Mr. Cardwell also proposes to increase the establishment of Captains (now Second Captains) of Royal Engineers by two in each battalion, making at the same time a reduction of two in the number of Subalterns. Appendix, No. 1.

I am to request that Mr. Cardwell may be informed of the opinion of the Secretary of State for India in Council upon the measures proposed.

I am, &c.

The Under Secretary of State for India. (signed) *H. Campbell.*

No. 4.

WHEREAS We think it expedient in certain respects to amend the Regulations concerning the Pay and Promotion and Non-effective Pay of Officers of Our Royal Artillery:

Our Will and Pleasure is, that the following Articles of Our Warrant of 27th December 1870 be cancelled, in so far as they relate to the Artillery:—Article 34, so much of Article 175 as relates to the Pay of Lieutenant Colonel, Captain, and Second Captain, Articles 978 and 979, likewise Article 97 as amended by Our Warrant of 31st May 1871.

2. It being expedient that a battery be commanded by an Officer having the rank of Major, all Officers now holding the rank of Captain in our Royal Artillery, shall be promoted to the regimental rank of Major from the date of this Warrant.

3. The Second Captains of Our Royal Artillery, being second in command of batteries, shall in future be styled Captains.

4. A Major, with the brevet rank of Lieutenant Colonel, who shall hold the temporary command of two batteries of Artillery for a continuous period exceeding one calendar month, shall reckon such continuous period as part of the five years required to qualify for the rank of Colonel, under Article 29 of Our Warrant of 27th December 1870.

5. The Pay of Lieutenant Colonels, Majors, and Captains of Our Royal Artillery shall be as follows:

	Horse Brigade and Riding Establishments. Daily.	Field and Garrison Brigades. Daily.
	£. s. d.	£. s. d.
Lieutenant Colonel - - - -	1 6 9	- 18 -
Major - - - - - -	- 18 -	- 14 6
Captain - - - - -	- 16 -	- 11 -
Captain having higher rank by Brevet	- 18 -	- 13 -

6. When Officers now holding the rank of Captain in Our Royal Artillery are promoted to the Regimental rank of Major, they may, if in receipt of a higher rate of pay than that laid down for Majors in Article 5, continue to draw such higher pay (including Distinguished Service Pay) in lieu of the pay laid down in this Warrant.

7. A Major actually in command of a Battery of Artillery shall receive 1 *s.* 6 *d.* a-day Command Pay, in addition to his Regimental Pay, subject to the Regulations laid down in Articles 233 to 235 of Our Warrant of 27th September 1870.

8. The following shall be the rates of Half-pay of Majors of Our Royal Artillery:—

	New Rate. Daily.	Old Rate. Daily.
	£. s. d.	£. s. d.
Major - - - - - -	- 10 -	- 7 6

Appendix, No. 1.

9. An unattached General Officer or Regimental Colonel of Our Royal Artillery, not under Indian retiring Regulations, may retire after 30 years' service upon 600 *l.* a year, subject to such reduction as Our Secretary of State shall consider, at the time the Officer may retire, a fair equivalent for the pecuniary advantages conferred upon him by this Warrant or by any consequent revision of establishment, provided that such reduction shall not reduce the Retired Pay below the sum of 1 *l.* 6 *s.* a day. A Regimental Lieutenant Colonel of 30 years' service may retire upon 1 *l.* a day.

10. Any Retired Pay in excess of the sum of 1 *l.* 6 *s.* a day which may be granted to an Officer under the foregoing Article shall not be taken from the amount of 42,400 *l.* fixed by Article 976 of Our Warrant of 27th December 1870, as the limit of the sum to be annually expended for the Retired Full Pay of Our Royal Artillery.

11. An unttached General Officer or Regimental Colonel of Our Royal Artillery, not subject to Indian retiring Regulations, may retire after 40 years' service upon 600 *l.* a year. The Retired Full Pay of these Officers shall be an addition to the total annual amount of Retired Full Pay, as laid down in Article 976 of Our Warrant of 27th December 1870.

12. An Officer retiring under Articles 9 or 11 shall relinquish the prospect of succeeding to the Command of a Brigade.

13. Nothing contained in this Warrant shall apply to Officers of the Coast Brigade of Artillery. Cases of retirement from the Coast Brigade will be specially considered.

14. A Major commanding a Battery of Garrison Artillery shall only be entitled to forage or forage allowance when he shall be required to perform Field Officer's duty in a garrison, or when on active service in the field.

15. The Pay in lieu of Non-effectives granted by Article 236 of Our Warrant of 27th December 1870 to First Captains of the Service and Depôt Batteries of Royal Horse Artillery shall be received hereafter by Majors of the same.

Given at our Court at this day of
1872, in the 35th Year of Our reign.

By Her Majesty's Command.

No. 5.

WHEREAS we think it expedient to amend in certain respects the regulations concerning the Pay and Promotion and Non-effective Pay of Officers of Our Royal Engineers;

Our Will and Pleasure is that the following Articles of Our Warrant of 27th December 1870 be cancelled in so far as they relate to Our Royal Engineers; Articles 34, 978, and 979, so much of Article 184 as relates to the Pay of Lieutenant Colonel, Captain, and Second Captain, so much of Article 976 as relates to the total amount to be expended for the Retired Full-pay of Our Royal Engineers, and likewise Article 97 as amended by Our Warrant of 31st May 1871.

1. The Establishment of General Officers of Our Royal Engineers on the British List shall be as follows, after the completion of the Battalions now in course of formation :—

General - - - - - - - - -	3
Lieutenant General - - - - - - -	6
Major Generals - - - - - - -	9
Totals - - -	18

2. All Officers now holding the rank of Captain in Our Royal Engineers shall be promoted to the rank of Major from the date of this Warrant. The Second Captains shall, from the said date, be styled Captains.

3. A Regimental Major, with the Brevet rank of Lieutenant Colonel, who shall fall into the temporary command of a Royal Engineer District, or of the Royal Engineer Train, in the absence of the Lieutenant Colonel or Colonel Commanding, for a continuous period exceeding one calendar month, shall reckon such continuous period as part of the five years required to qualify for the rank of Colonel, under Article 29 of Our Warrant of the 27th December 1870.

4. The

4. The ordinary and extra pay of Lieutenant Colonels and Majors of Our Royal Engineers shall be as follows :— Appendix, No. 1.

	Ordinary Pay.	Extra Pay.	
	Daily.	At Home, except when Stationed in London. Daily.	Abroad; when Stationed in London; and with an Army in the Field. Daily.
	£. s. d	£. s. d.	£. s. d.
Lieutenant Colonel	– 18 –	– 9 –	– 18 –
Major	– 15 –	– 7 6	– 15 –
Captain	– 11 –	– 4 –	– 8 –
,, having higher rank by Brevet	– 13 –	– 5 –	– 10 –

5. A Major of Our Royal Engineers who, when promoted to that rank, may be in receipt of Distinguished Service Pay, under Article 226 of Our Warrant of 27th December 1870, shall, in addition to his pay and extra pay as Major, receive the difference between such pay and extra pay and his pay, Distinguished Service Pay, and extra pay when a Captain.

6. The following shall be the rates of Half Pay of Majors of Our Royal Engineers :—

	New Rate. Daily.	Old Rate. Daily.
	£. s. d.	£. s. d.
Major	– 10 –	– 7 6

7. An Unattached General Officer or Regimental Colonel of Our Royal Engineers not subject to Indian Retiring Regulations, may retire, after 30 years' service, upon 600 *l.* a year, subject to such reduction as Our Secretary of State shall consider, at the time the Officer may retire, a fair equivalent for the pecuniary advantages conferred upon him by this Warrant, or by any consequent revision of Establishment, provided that such reduction shall not reduce the Retired Pay below the sum of 1 *l.* 6 *s.* a day. A Regimental Lieutenant Colonel of 30 years' service may retire upon 1 *l.* a day.

8. The total annual amount expended for the retired full pay of Officers of Our Royal Engineers who retired previous to the date of this Warrant, and of Officers who retire under the foregoing article, shall not exceed 21,500 *l.*

9. An Unattached General Officer or Regimental Colonel of Our Royal Engineers, not subject to Indian Retiring Regulations, may retire, after 40 years' service, upon 600 *l.* a year. The Retired Full-pay of these Officers shall not be taken from the total sum of 21,500 *l.* fixed by Article 8.

10. An Officer retiring under Articles 7 or 9 shall relinquish the prospect of succeeding to the command of a battalion.

11. A Major of Engineers shall only be entitled to forage or forage allowance when he shall be necessarily required to perform Field Officer's duty in a garrison, or when employed upon executive or field duties, provided the grant is recommended by the Officer in command of the district or station, on the ground that a horse is essential for the performance of such duties.

Given at Our Court at , this day of 1872, in the 35th year of Our reign

By Her Majesty's Command.

Appendix, No 1.

No. 6.

(No. 310 W.)

Sir, India Office, 11 July 1872.

I AM directed by the Secretary of State for India in Council to acknowledge the receipt of Mr. Campbell's letter of the 15th June, forwarding copies of Warrants which it is proposed to submit for the approval of Her Majesty, having for their object the improvement of the condition of the Officers of the Royal Artillery and Royal Engineers, and stating that, in addition to the measures therein contemplated, Mr. Cardwell has also found it necessary to decide that, in all cases in which Officers of the Royal Artillery of and above the rank of Lieutenant Colonel shall hold appointments away from their brigades, they shall be retained as supernumerary to the establishments of their brigades whenever the total service of the senior Officer below that rank shall reach 25 years ; and also that all Officers below the rank of Lieutenant Colonel holding appointments away from their batteries shall be supernumerary to the fixed establishment of their rank whenever the necessity of the service shall require it, it being observed, however, that the more sparingly this practice is adopted the less difficulty will arise in future in providing promotion for the Corps.

2. It is added, that Mr. Cardwell proposes to increase the establishment of Captains (now Second Captains) of Royal Engineers by two in each battalion, making at the same time a reduction of two in the number of Subalterns, and the opinion of the Secretary of State for India in Council is sought upon the several measures proposed.

3. With regard to the Warrants themselves, I am instructed to state that the only points with which the Government of India are indirectly concerned are the following :—

In the Artillery—

1. The substitution of the rank of Major for that of First Captain.
2. The adoption of a uniform rate of pay for all Lieutenant Colonels.

In the Engineers—

1. The substitution of the rank of Major for that of First Captain.
2. The adoption of a uniform rate of pay for all Lieutenant Colonels.
3. The increase to the establishment of General Officers.
4. The augmentation of the establishment of Captains, with a corresponding reduction in the number of Subalterns.

4. With regard to the propriety of restoring the regimental rank of Major (which was abolished in the British Ordnance Corps in 1827, in the Indian Artillery and Engineers in 1858), with the view of improving the condition of the Officers of the Royal Artillery and Royal Engineers, the Duke of Argyll does not feel himself called upon to offer an opinion. His Grace desires me to say, however, that as the Officers now holding the position of First Captains in those two Corps in India are liberally remunerated for their services in that country, he does not consider that any change in their present rate of Indian pay and allowances is called for by the proposed change of rank and designation.

5. With regard to the further effect of the proposed Warrant in placing all Lieutenant Colonels of Artillery and Engineers out of India on one and the same footing as regards pay, the Duke of Argyll considers it advisable to take the opportunity in the publicasion of the Warrant of sanctioning a similar course in India.

6. With regard to the proposed augmentation in the establishment of General Officers of Engineers, I am desired to request that, in submitting these measures for the approval of Her Majesty, the opportunity may be taken of obtaining Her Majesty's sanction to similar measures in relation to the Indian battalions ; that as the principle as relates to General Officers would appear to be to allot two for every battalion, the Indian battalions being shortly about to be increased to eight, the General Officers establishment due to the Indian battalions may be raised from 12 to 16, being the proportion due to eight battalions, the several grades of General Officers being revised if necessary.

7. I am also to state that the Duke of Argyll has no objection to offer to the proposal to increase the establishment of Captains of Royal Engineers (which he presnmes includes the Indian battalions) by two in each battalion, making at the same time a reduction of two in the number of Subalterns.

I have, &c.

(signed) *T. T. Pears*, Major General,
Military Secretary.

The Under Secretary of State for War.

EXTRACT MILITARY DESPATCH to the Government of India, No. 35, dated 3rd February 1876.

Reply to Letter from India, No. 230, dated 30th September 1875.

6. The memorials from officers of Royal Artillery regarding pay will be presented to Parliament in due course.

(True copy.)

A. Johnson, Colonel.

Appendix, No. 2.

PAPER laid before the Committee by Colonel *Radcliffe*

ROYAL ARTILLERY.

Appendix, No 2.

RETURN of the Number of ARTILLERY BATTERIES in *India* on the 1st January 1868, and the 1st January in each succeeding Year, showing the First Captains in Command of Batteries for which Contract Allowances were granted, and of Batteries for which no such Allowances were granted.

YEAR.	Batteries for which Contract Allowance is Granted.				Batteries for which Contract Allowance is not Granted.			TOTAL Batteries.
	Horse.	Field.	Mountain.	Total.	Garrison.	Heavy.	Total.	
1868 - - -	18	32	–	50	18	2	20	70
1869 - - -	14	38	2	54	16	2	18	72
1870 - - -	18	42	2	62	26	2	28	90
1871 - - -	17	35	2	54	27	2	29	83
1872 - - -	11	36	2	49	25	2	27	76
1873 - - -	8	35	2	45	19	2	21	66
1874 - -	13	32	2	47	20	2	22	69
1875* - -	13	30	2	45	19	2	21	66
1876 - - -	12	38	2	52	22	2	24	76
1877 - - -	13	37	2	52	23	2	25	77

* From 1st April 1875 contracts ceased.

Horse Guards, War Office,
17 July 1877.

Appendix, No. 3.

PAPERS received from the Horse Guards.

Appendix, No. 3.

Sir *Richard Airey* to the Under Secretary of State, War Office.

Sir, Horse Guards, War Office, 28 September 1874.

I HAVE the honour to transmit to you, for submission to the Secretary of State for India, the accompanying papers relative to the conduct of Major Buckle, Royal Artillery, in writing and publishing a letter to the majors of Royal Artillery in India, inviting them, in terms the most disrespectful to the Governor of India, and to his superiors, to combine in petitioning Parliament direct in the matter of their pay.

The Field Marshal Commanding in Chief considers that the conduct of this officer is marked by a most gross dereliction of military regulations and duty; but as, in His Royal Highness's opinion, it would be inexpedient to bring this officer before a general court martial, His Royal Highness proposes to place him on half-pay immediately, should the Secretary of State for India concur in this view.

I have, &c.

The Under Secretary of State, War Office.

(signed) *Richard Airey.*

Harbottle Castle, Morpeth, Northumberland,

Sir, 24 September 1874.

IN answer to yours, passed and returned, I have the honour to reply that it is with very deep regret that I acknowledge that I both wrote and circulated the letter in question.

At the same time I pledge my honour that its publication in the newspapers was entirely without either my consent or knowledge in any way whatever.

I intended it strictly as a private letter to my brother officers, and only heard of its publication in the paper by accident some time after. Its publication was the last thing I should ever have desired or expected. Many letters appeared in the papers on the subject of majors' pay this year; but the only one of them written by me was to say that as both the Viceroy and His Excellency the Commander in Chief in India both took our view in the matter, and had done their best to get us the pay of major, it was very undesirable to write as they were doing.

I am fully aware now that the letter you allude to was one which I ought never to have written.

When I arrived in this country a month ago I went to the Horse Guards with the intention of requesting from you the honour of an interview with His Royal Highness, in which I could have given him some explanation of my conduct in the matter, but was unfortunate in not finding him in London. In the first place I had been exceedingly ill for more than two years, so ill that my medical advisers told me that my only chance was to return to Europe. I was suffering from perpetual attacks of fever at times, though obliged, owing to the absence of any other officer, to attend at my office. I have been compelled to tell my pay serjeant that I really did not know what I was about, and that I must defer business to another day. This has happened to me very frequently indeed. I could not, though often pressed by the surgeons, go home on sick leave, as I had debts which I was obliged to pay off, and my only hope of being able to do so lay in my getting the increased pay of a major. At the time of writing that letter I was ill at Ootacamund; I had fever nearly every day or night for some time; was in perpetual pain and nervous suffering; and I wrote the letter in the state of mind which an invalid like myself would naturally be in, and sent it off with a petition which had been written by some brother officers. I had, as I have said, no idea of its ever being published, and it was printed solely for convenience of circulation, but was considered by me entirely as a private letter. On my return to Madras, for the purpose of being sent home, I was informed of its publication by a colonel of my regiment, who asked me what I could have been about; and on my saying that, "though I knew nothing whatever of its publication, yet that there was nothing whatever objectionable in it," he showed me at once how it was, in many ways, a letter that I should never have written, and, on reading it over with him, I could only acknowledge the justice of his remarks. I trust His Royal Highness will believe me when I say that I never, for one moment, thought of opposing myself, in any way, to either the authority of the Horse Guards, the War Office, or the civil or military authorities in India.

Lord Cardwell had stated in the House that it was not a Horse Guards or War Office matter

matter, but one for the India Council. In India I was told by a general officer that the Viceroy had done all in his power to get us the pay of major. It was stated and believed by every one that His Excellency Lord Napier had done the same also, and that it was desired by His Royal Highness the Commander in Chief and the War Office, and that the only reason for its not being granted was the opposition of the India Council. Under these circumstances my only wish was to bring it to the notice of the higher authorities, in the hopes that the India Council might be induced to modify their views on the subject, as it was considered by me, as by most officers, to be a purely India Council affair, as the military fund is. The idea of trying law in the matter came into my mind solely from the officers being ordered to get the matter decided by law on some point of the Banda prize-money.

In conclusion, I beg most respectfully to point out that the very fact of my having had this letter printed, with my name attached, must show that I could have no idea of doing or saying anything that could be in any way disrespectful to the authorities. My name is quite unknown to four-fifths, at least, of the officers whom I addressed, and any result I wished for would have been equally likely to be attained had I written anonymously.

But, as I have said, my judgment was at that time so seriously impaired by my long and severe illness, that I was truly and really unable to think or act in a proper manner.

I have, &c.
(signed) *C. R. Buckle*, Major, R.A.

Published in the "Pioneer," Monday, 6th July 1874.

ARTILLERY MAJORS' PAY.

THE following circular has, we believe, been addressed to all Artillery Majors in India:—

Dear Sir,

As it appears very evident now that it is in vain for us to look to the justice of the Indian Government to give us our Major's pay, I think that you must feel that our only chance of success lies in fighting our own battle ourselves, and that the only field for doing so is in Parliament. Petitions to the Duke of Cambridge or to the Secretary of State are, as I know myself, either returned or pigeon-holed in this country. The Line succeeded in getting themselves heard when they petitioned *en masse*, and we must try the same plan; only being a much less numerous and influential body, we must do it both unanimously and vigorously. As most of us are unacquainted with the form of a petition, I enclose one that was drawn up for me by an officer who has had a good deal to do with this sort of work.

The body of the petition can, of course, be framed as each man likes; but the form must be preserved, and it must be in the petitioner's own handwriting. I am, by this post, sending a copy of this to every Major of Artillery in India.

I should also venture to suggest, in case of this failing, that we raise, by subscription, a sufficient sum to defray the expense of trying by law whether the India Office can withhold our pay in India. The warrant promotes us to the rank of Major, and that being the case, I believe we must be paid as such in India; for though the warrant laid down the rate of pay, it said nothing against our getting the usual Indian allowances. If successful at law, we should of course get our arrears also. I tried to get up a subscription for the purpose last year, of 25 rupees each, but only got four subscriptions. That of course was useless, and the money lies at Binny's, Madras, now; but I think it ought not to be difficult to get together, say 150 *l.*, and send it home to be put in the hands of, say, three officers, as a committee, to first get first-class advice, and then, if favourable, put it into Court. I think you will agree with me also that every one should write to any influential friend he may have in either House, and beg him to speak on the matter, explaining it to him in full, as also the manner in which we have been played upon by being constantly told that the matter was under consideration, or by semi-official announcements that it had been given. To my knowledge several petitions to the Duke of Cambridge were returned on the former grounds. We must remember that it is not a Horse Guard matter at all. Mr. Cardwell stated himself that it was an Indian Office matter. Therefore, in petitioning to Parliament, we cannot possibly give umbrage to the Duke, as it is about a thing with which he has nothing to do.

I may mention that the Assistant Adjutant General, Royal Artillery, Madras, informs me that there is no objection to petitioning Parliament.

Yours, &c.
Ootacamund. (signed) *C. R. Buckle*, Major, R.A.

Appendix, No. 3.

Major Buckle, Horse Guards, War Office, 21 September 1874.

FORWARDED herewith is a copy of a letter bearing your signature thereto, which has been published in the Allahabad newspaper, "The Pioneer," of Monday, the 6th July 1874; you are requested to report at once to me whether you are the author of the letter so published, and also if it has been circulated by you, or by others under your instructions, as stated.

(signed) *W. A. Middleton*, D.A.G.

To be returned.

Passed.

(signed) *C. R. Buckle*, Major R.A.

24 September 1874.

(No. 2165A.—Discipline.)

Sir, Head Quarters, Simla, 17 August 1874.

I HAVE the honour to forward, for submission to His Royal Highness the Field Marshal Commanding in Chief, a report from His Excellency the Commander in Chief of the Madras Army relating to the conduct of Major C. R. Buckle, Royal Artillery, who, it appears, is the writer of a circular sent to the majors of Royal Artillery in this country, inviting them, in terms the most disrespectful to the Government of India and his superiors, to combine in petitioning Parliament direct in the matter of their pay.

2. My attention had previously been called to the circular on its appearance in the "Pioneer" newspaper of the 6th July 1874, and I had directed the Judge Advocate General in his command to be consulted as to whether Major Buckle could not be proceeded against. The Judge Advocate General's reply will be found with the papers.

3. Major Buckle, it appears, has since left Madras for England on sick leave, and Sir Frederick Haines suggests the advisability of placing him on temporary half-pay; but in my opinion his offence is such a serious breach of discipline, and so dangerous an example, if not treated promptly and severely, that I do not think His Excellency's proposal would sufficiently meet the case.

4. I would venture to express my belief that His Royal Highness will consider that conduct such as that attributed to Major Buckle renders him unworthy to hold Her Majesty's commission in the Army; and I would recommend for His Royal Highness' consideration that, provided Major Buckle cannot fully exonerate himself from any connection with the publication of the letter in question, or from having circulated it to other officers, he should be offered the option of returning to this country for trial or of unconditionally resigning the Service.

I have, &c.

(signed) *Napier of Magdala*, General,
Commander in Chief in India.

The Adjutant General of the Forces,
Horse Guards, London.

From Lieutenant General Sir *F. P. Haines*, K.C.B., Commander in Chief, to the Adjutant General in India, Simla.

Sir, Head Quarters, Ootacamund, 23 July 1874.

I HAVE the honour to forward herewith, for submission to the Right honourable the Commander in Chief in India, a copy of a Circular printed in the "Pioneer" newspaper of the 6th instant, and to which my attention was called a few days ago.

2. On inquiry, I find that Major C. R. Buckle, Royal Artillery, is really the author of this most objectionable production, calling on officers to combine against the action taken by superior authority in a matter which he knew to be fully under the consideration of the Secretaries of State for War and India, and I leave it for the consideration of Lord Napier of Magdala whether, with reference to the late unfavourable reports on this officer, it would not be advisable to recommend to His Royal Highness the Field Marshal Commanding in Chief that he be placed on temporary half-pay.

Major Buckle left for England on the 18th instant, on sick leave.

I have, &c.

(signed) *F. P. Haines*, Lieut. General,
Commander in Chief.

To the Honourable the Commons of England.

The humble Petition of

Sheweth,

THAT the Royal Warrant issued in special Army Circular, dated 6th July 1872, para. 2, granted the rank of major to officers of the Royal Artillery who had formerly held only the rank of first captain, because it was deemed expedient so to do, on account of the great responsibility devolving upon an officer commanding a battery of Royal Artillery.

That the same warrant, para. 5, granted the pay of major also to those officers who had been raised to that rank, *without any exceptions.*

That the Secretary of State for India ruled, nevertheless, that because a certain contract was given to officers commanding batteires of Field Artillery in India, the majors of the regiment serving in that country were only to receive captains' pay, although at home and at every other station of the British Army the captains promoted to major received the pay of the latter rank.

That majors commanding garrison batteries in India were granted a special allowance of 100 rupees per mensem, as an equivalent for the loss of majors' pay, and because they were not in receipt of any contract allowance.

That it would appear, therefore, that the Secretary of State considered 100 rupees a month a fair equivalent for the difference between majors' pay and allowances and that of captain.

That the pay of a major in India is, without any allowance, 759 rupees monthly, the pay of a first captain, without other allowances, is 433 rupees monthly, therefore the Secretary of State considered that 100 rupees was a sufficient equivalent for 326 rupees monthly, the last sum being the actual difference between majors' and captains' pay.

That the pay and all contract and other allowances of an officer commanding a field battery in India is 1,045 rupees monthly, which, deducting 300 rupees monthly for the expense of keeping the battery in all its parts completely serviceable, leaves a balance of 745 rupees, computed at the lowest rate of expenditure, for the battery commanding officer to receive monthly instead of his proper pay of 759 rupees, a monthly loss of 14 rupees. The Secretary of State therefore considered that under a loss of 14 rupees monthly the major commanding a battery received a fair and equitable equivalent for the pay proper of his rank.

That thus the major commanding either a garrison battery or a battery of Field Artillery, both positions of great responsibility, as acknowledged by Royal Warrant, were placed in a most disadvantageous position as regarded pay, when compared with majors of infantry, to whose position no great responsibility was attached. The major of Royal Artillery performed all garrison duties with the major of infantry, and in addition to those, of commanding officer, adjutant, paymaster, and quartermaster, involving, in India, about four times as much responsibility as was incurred at home or in any colony. *The rank of major, without the pay thereof, was not an equivalent for the great responsibility.*

That it was stated in the House of Commons, by the Under Secretary of State for India, Mr. Grant Duff, that the case of the first captain promoted to major, was precisely similar to that of the majors who were promoted to lieutenant colonels' rank in the Royal Artillery, as the senior two-thirds only received lieutenant colonels' pay, whereas the junior one-third received majors' pay. The cases, however, do not seem to be *precisely similar*, as *none* of the first captains *have received majors' pay.*

That the first captains were promoted to majors on 5th July 1872, since which time the question of granting to them majors' pay in India has been almost continually under consideration; the loss of pay to most majors in the regiment has, therefore, during this period, amounted to a considerable sum.

Your Petitioner therefore earnestly prays that your Honourable House will take into favourable consideration the granting him the pay of his rank and the injury inflicted on him by the loss of the same, and that your Honourable House will consider that your Petitioner is, on these accounts, fully entitled to the pay of his rank, and such compensation for the loss of it from 5th July 1872 as to your Honourable House shall deem just and expedient.

And your Petitioner, &c.

(No. 149 S.)

Judge Advocate General's Office, Simla,
23 July 1874.

REFERENCE Adjutant General's No. 1953—Camp, dated 15th July 1874 (Discipline).

Memorandum.

I HAVE carefully considered the letter signed "Major C. R. Buckle, R.A.," marked "Ootacamund," without date, published in the "Pioneer" newspaper of 6th July 1874, together with Her Majesty's regulations and the Madras Army regulations, and I am of opinion that Major Buckle can be tried by court-martial for writing and publishing that

Appendix, No. 3.

letter, and I consider that a court-martial would feel no hesitation in finding that Major Buckle has been guilty of unofficerlike conduct to the prejudice of good order and military discipline.

2. In the first place, it is a recognised and well-established principle that officers of the army are not to publish professional grievances, whether fancied or real. On this ground, Major Buckle has been guilty of an act to the prejudice of good order and military discipline, and there is the less excuse for him because he is an officer of about 19 years' standing in the service.

3. The conduct of Major Buckle, moreover, is in direct breach of paragraphs 364 of the Queen's Regulations and 510 of the Madras Regulations, both of which strictly prohibit "publishing anything through the medium of the press calculated to excite discontent in the army."

The letter itself purports to have been circulated to every major of artillery in India—that is, to about 129 officers in the three presidencies, as I gather from the Army Lists.

There can be no question the letter was calculated to excite discontent. It was clearly the intention of the letter to foster discontent, and thereby to force an united action against the Indian Government in the matter of pay and allowances.

4. Apart from the direct breach of discipline which I have noticed, Major Buckle in his letter attacks the Government of India. He plainly charges the Government with injustice. He says: "It is in vain for us to look to the justice of the Indian Government to give us our major's pay." He also accuses the Government of "pigeonholing" (meaning burking) the petitions of officers, and says that "officers have been played upon by being constantly told that the matter was under consideration, or by semi-official announcements that it had been given."

Considering that he is serving under the Government of India, the publication of such observations is in itself a military offence.

5. I forward a charge on which Major Buckle may be brought to trial, if his trial is deemed expedient. This charge imputes only the offence of writing and publishing the letter, and does not raise any issue as to the truth or falsehood of any assertion made in the letter—issues which manifestly ought not to be raised or discussed before a court-martial.

6. At present I have proceeded on an assumption, viz., that Major Buckle has done what the letter says he has done, and that he sent it for publication in a newspaper. This is a fair assumption, but in the event of trial being ordered these facts will have to be proved, if they are not admitted by Major Buckle.

As a preparatory measure, his attention should be called to a copy of the newspaper containing the circular letter, and after due caution he should be requested to make his explanation. If he admits circulating and publishing the letter, evidence of that admission, and of the receipt by some officers addressed of the circular, and the production of the "Pioneer" paper containing the document, will suffice as to the facts, and the production of the Army Orders disobeyed will complete the case for the prosecution.

7. If he declines to make any explanation, it will be necessary to connect Major Buckle by proper proof with circulating and publishing the letter, and this proof should be obtained by the authorities on the spot.

8. I would recommend that before any decision is come to as to the trial of Major Buckle, the papers in the case should be communicated to Government.

9. With reference to the final paragraph of the letter purporting to have been signed by Major Buckle, the Assistant Adjutant General, Royal Artillery, Madras, might be asked to explain the share in the case imputed to him.

(signed) *J. C. Hatch*, Colonel,
Judge Advocate General.

To the Adjutant General, Calcutta.

CHARGE.

Major *Charles Randolph Buckle*, of Her Majesty's Royal (late Madras) Regiment of Artillery, placed in arrest, and charged with

Conduct unbecoming an officer, and to the prejudice of good order and military discipline, in having, at Ootacamund, in or about the month of *1874, written and sent to certain officers of the Royal Artillery in India, and also to the editor of the "Pioneer" newspaper, for publication therein, a letter as herein set out; such letter being calculated to excite discontent among the Royal Artillery majors serving in India:—

* Month to be filled in.

"Dear Sir,

"As it appears very evident now that it is in vain for us to look to the justice of the Indian Government to give us our major's pay, I think that you must feel that our only chance

chance of success lies in fighting our own battle ourselves, and that the only field for doing so is in Parliament. Petitions to the Duke of Cambridge or to the Secretary of State are, as I know myself, either returned or pigeon-holed in this country. The Line succeeded in getting themselves heard when they petitioned *en masse*, and we must try the same plan; only, being a much less numerous and influential body, we must do it both unanimously and vigorously. As most of us are unacquainted with the form of a petition, I enclose one that was drawn up for me by an officer who has had a good deal to do with this sort of work.

"The body of the petition can, of course, be framed as each man likes, but the form must be preserved, and it must be in the petitioner's own writing. I am by this post sending a copy of this to every major of Artillery in India.

"I should also venture to suggest, in case of this failing, that we raise by subscription a sufficient sum to defray the expense of trying by law whether the India Office can withhold our pay in India. The Warrant promotes us to the rank of major, and that being the case, I believe we must be paid as such in India; for though the Warrant laid down the rate of pay, it said nothing against our getting the usual Indian allowances. If successful at law, we should, of course, get our arrears also. I tried to get up a subscription for the purpose last year of 25 rupees each, but only got four subscriptions. That, of course, was useless, and the money lies at Binny's, Madras, now; but I think it ought not to be difficult to get together, say, 150 *l.*, and send it home to be put in the hands of, say, three officers as a committee, to first get first-class advice, and then, if favourable, put it into Court. I think you will agree with me also that every one should write to any influential friend he may have in either House, and beg him to speak on the matter, explaining it to him in full, as also the manner in which we have been played upon by being constantly told that the matter was under consideration, or by semi-official announcements that it had been given. To my knowledge, several petitions to the Duke of Cambridge were returned on the former grounds. We must remember that it is not a Horse Guards' matter at all. Mr. Cardwell stated himself that it was an India Office matter. Therefore, in petitioning to Parliament, we cannot possibly give umbrage to the Duke, as it is about a thing with which he has nothing to do.

"I may mention that the Assistant Adjutant General, Royal Artillery, Madras, informs me that there is no objection to petitioning Parliament.

"Yours, &c.
(signed) "*C. R. Buckle*, Major, R.A."

"Ootacamund."

The Military Secretary, India Office, to the Military Secretary, Horse Guards.

Sir, India Office, 16 October 1874.

I AM directed by the Secretary of State for India in Council to acknowledge the receipt of your letter of the 28th ultimo, relative to the conduct of Major C. R. Buckle, Royal Madras Artillery, in writing and publishing to the majors of Artillery in India a letter, inviting them, in terms most disrespectful to the Government of India and his superiors, to combine in petitioning Parliament on the subject of their pay.

2. It is stated that His Royal Highness the Field Marshal Commanding in Chief considers that the conduct of this officer is marked by a most gross dereliction of military regulations and duty; but as, in His Royal Highness's opinion, it would be inexpedient to bring Major Buckle before a general court-martial, His Royal Highness proposes to place him on half pay immediately.

3. In reply, I am to acquaint you that the Secretary of State in Council concurs in the proposal made by His Royal Highness.

I have, &c.
(signed) *T. T. Pears*, Major General,
Military Secretary.

The Military Secretary,
Horse Guards.

The Military Secretary, Horse Guards, to the Under Secretary of State, India Office.

Horse Guards, War Office,
Sir, 13 October 1874.

BY direction of the Field Marshal Commanding in Chief, I have the honour to draw your attention to the letter from this office, dated 28th ultimo, and its accompanying correspondence, regarding the conduct of Major Buckle, Royal Artillery, to which no reply has yet been received; and I have it in command to request that you will be good enough to favour me with the views of the Secretary of State for India upon this matter at your earliest convenience, for the information of His Royal Highness, who is much pressed for a decision upon the subject.

I have, &c.
(signed) *C. R. Greaves*,
Assistant Adjutant General.

The Under Secretary of State,
India Office.

Appendix, No. 3.

The Military Secretary, India Office, to the Military Secretary, Horse Guards.

Sir, India Office, 15 October 1874.

I AM directed by the Secretary of State for India in Council to acknowledge the receipt of your letter of the 13th instant, requesting an early reply to your letter, dated 28th ultimo, on the subject of the conduct of Major Buckle, R.A.

2. I am directed to inform you, in reply, that the matter is under the consideration of the Secretary of State, and that his opinion will be communicated to you in the course of a very few days.

I am, &c.
(signed) *T. T. Pears*, Major General,
Military Secretary.

The Military Secretary,
Horse Guards.

The Military Secretary, Horse Guards, to the Under Secretary of State, India Office.

Horse Guards Department, War Office,
Sir, 3 November 1874.

WITH reference to the letters from this Department of the 28th September and 13th ultimo, I have it in command again to request that you will favour me, for the information of His Royal Highness the Field Marshal Commanding in Chief, with the views of the Secretary of State for India in the case of Major Buckle, Royal Artillery.

I have, &c.
(signed) *C. R. Greaves*, A.A.G., for A.G.

The Under Secretary of State,
India Office.

The Military Secretary, India Office, to the Adjutant General, Horse Guards.

Sir, India Office, 4 November 1874.

I AM directed by the Secretary of State for India in Council to acknowledge the receipt of your letter of the 3rd instant, and to acquaint you, in reply, that the letters from your Department relative to the case of Major Buckle were replied to in the letter addressed from this office to the Military Secretary, Horse Guards, on 16th ultimo.

2. The proposed promotions in succession to Major Buckle, signed by the Assistant Military Secretary, were returned from this office approved on the 3rd instant.

I have, &c.
(signed) *T. T. Pears*, Major General,
Military Secretary.

The Adjutant General,
Horse Guards.

(A true copy.)

(signed) *C. Mason*, Assistant,
for Military Secretary.

27 July 1877.

Appendix, No. 4.

ROYAL ARTILLERY.

Horse Guards, War Office, 24 July 1877.

MEMORANDUM for the Chairman of the Committee at the House of Commons, on the Question of the PAY of MAJORS of ROYAL ARTILLERY in *India*, at his request.

THE Memorandum from this office, dated 14th September 1875, signed by Colonel Radcliffe, was intended to be sent on to the Right Honourable the Secretary of State for India, as will appear from the last paragraph thereof, viz.:—

> "In submitting this question for your Royal Highness' consideration, the Deputy Adjutant General has the honour to request permission to address a letter to the India Office, bringing to the notice of the Secretary of State the views herein expressed."

This is borne out by the fact of its being enclosed in a letter to the Under Secretary of State for India on the 18th November 1875, by Sir Alfred Horsford, the Military Secretary to His Royal Highness the Field Marshal Commanding in Chief.

W. Brown,
pro Deputy Adjutant General.

ROYAL ARTILLERY.

RETURN showing the Number of BREVET FIELD OFFICERS being CAPTAINS, belonging to BATTERIES of ROYAL ARTILLERY on the INDIAN ESTABLISHMENT, on the 5th July 1872.

	Effective Batteries.	Supernumerary to Establishment.
Brevet Lieutenant Colonels - -	7	4
Brevet Majors - - - -	6	2
Local Lieut.-Colonels - . -	16	3
Local Majors - - - - -	33	16
TOTAL - - -	62	25

Horse Guards, War Office, 23 July 1877.

R. Radcliffe,
Deputy Adjutant General.

Appendix, No. 4.

COMMUNICATION from the Master General to the Officers of the Royal Artillery.

6 November 1827.

THE Master General has the honour of announcing to the officers of the Royal Artillery that His Majesty, anxious to give a proof of his sense of their long, faithful, and gallant services, has been graciously pleased to direct that the following arrangement shall be immediately carried into effect:—

First. The regimental rank of major is abolished, and the number of lieutenant colonels is augmented in the proportion of one to each battalion upon major's pay. They are to be posted accordingly, and, if necessary, transferred to other battalions when they arrive at the increased pay.

Secondly. During three years from the date hereof, four field officers, who from age, wounds, or other circumstances, may be desirous of retiring from the service, will each year have that indulgence, upon the same principle that was allowed under the Order of the 27th May 1823. To effect this object, for the first year of the period, those officers who are desirous to retire will send their names to the Deputy Adjutant General on or before the 10th December, when a selection will be made in the manner best suited to meet the spirit of His Majesty's gracious intention.

Thirdly. The General Order of his Royal Highness the late Commander in Chief, of the 27th December 1826, is to be made applicable to the Royal Regiment of Artillery, under the following Regulations:—

The 43 first lieutenants serving upon full pay, whose commissions are dated previously to the 1st January 1812, shall have the option of being promoted to the unattached rank of captain upon the half-pay of 5 *s.* per diem, and as vacancies occur to return to full-pay as second captains of the corps in the order they now stand in the list. The officers in question to be allowed one month from the date of their receipt of this communication to consider whether they will, or will not, avail themselves of this promotion; and if they allow that period to elapse without forwarding their decision to the Deputy Adjutant General, it will be concluded that they wish to serve on full-pay.

It must be understood that no retrospect will be admitted after the expiration of the above period.

(signed) *A. Dickson*, Colonel,
Deputy Adjutant General.

I N D E X.

[*N.B.*—In this Index the *Figures* following the Names of the Witnesses, and those in the Analysis of Evidence, refer to the Questions in the Evidence; and the *Figures* following *App.* to the Pages in the Appendix.]

A

ARMY ORGANISATION. Responsibility of witness, when Secretary of State for War in 1872, as well as of the Government collectively, for the organisation and efficiency of the British army, whether in India or elsewhere, *Lord Cardwell* 1–6.

Letter from the India Office, dated 5th February 1872, relative to the increased charge to India by restoring the grade of major in the Artillery; reply by witness to the effect that what was expedient for the British army should not be set aside because it might add to the expenditure of India, *Lord Cardwell* 19. 28.

Concurrence of witness in certain evidence which he gave before the Select Committee on East Indian Finance to the effect that the India Office cannot interfere with the military organisation of the British army, *Sir T. T. Pears* 906——Question considered as to the amount of objection on the score of expense made on the part of India to different changes by the War Office in the organisation of the army, *ib.* 985-995——Difficulty in avoiding disputes between the War Office and India Office upon financial questions arising out of army organisation, *ib.* 1199.

Moral pressure upon the Government of India to accommodate themselves to the arrangements of the Imperial Government and of the War Department in matters of military organisation, *Lord Salisbury* 1673–1675. 1724——Doubt as to the War Office having ever proposed any military changes tending to lessen the charge upon India, *ib.* 1702.

Arrears of Pay. See *Compromise.* *Contract Allowances.* *Expenditure.* *India Office.* *Memorials and Complaints.* *Pay and Allowances.* *War Office.*

B.

Batta. Considerable loss to officers in India by taking away the batta allowance and leaving the pay as it is, *Smyth* 775, 776——Improved position of British troops in India in so far as half batta within 200 miles of presidency towns has been replaced by full batta, *Sir T. T. Pears* 886-888.

Board of Control. Extent to which the military authorities interfered as to officers' pay in India in the time of the Board of Control, *Sir T. T. Pears* 869. 873, 874.

Bonus Payment. Explanation as regards the bonus question, and the ultimate consent of the Council of India to meet the officers' claims, that no such privilege was involved as in the present case, *Sir F. J. Halliday* 1646–1653.

Brevet Rank. Consideration of certain evidence of Lord Cardwell before the Select Committee on East India Finance in 1874, with reference especially to an alternative proposal by witness in 1872 for giving brevet rank, on certain conditions, to first captains of artillery in India, in lieu of substantive promotion to the rank of major, *Sir T. T. Pears* 780-786——Question considered as to the number of Artillery and Engineer captains already having brevet rank at the time that witness suggested to Lord Cardwell that brevet instead of substantive rank should be given, *ib.* 832–839.

Statement as to certain pay being given to brevet rank in England under the War Office Warrants which is not given in India, *Sir T. T. Pears* 889–894. 949–954.

Explanation with further reference to the proposal made by witness for giving brevet rank to the Artillery captains, *Sir T. T. Pears* 1192–1195.

Report, 1877—*continued.*

Brevet Rank—continued.

Return showing the number of brevet field officers being captains belonging to batteries of Royal Artillery in India on 5th July 1872, *App.* 137.

Buckle, Major C. R., R.A. Letter from the Horse Guards to the War Office, dated 28th September 1874, respecting the improper conduct of Major Buckle in publishing in the Indian press a certain letter to the majors of Artillery in India, and notifying that the Commander in Chief proposes to place Major Buckle on half-pay, *App.* 130.

Letter from Major Buckle to the Horse Guards, dated 24th September 1874, explaining the circumstances under which the letter in question was written and was published, expressing regret in the matter, and submitting reasons in exoneration of his conduct, *App.* 130, 131.

Copy of Major Buckle's circular, as published in the "Pioneer" (India) of 6th July 1874; invitation therein to the majors of Artillery in India to petition Parliament, *App.* 131.

Communication from the Commander in Chief in India, in August 1874, and from the Commander in Chief in Madras, in July 1874, relative to the reprehensible conduct of Major Buckle in writing and publishing the circular in question, *App.* 132.

Copy of petition, as circulated by Major Buckle, in reference to the officers' claims to arrears of pay since July 1872, *App.* 133.

Memorandum by the Judge Advocate General in India, dated 23rd July 1874, commenting upon Major Buckle's conduct, and submitting suggestions as to the steps to be taken on the score of discipline, *App.* 133–135.

Correspondence in the case between the Horse Guards and India Office; concurrence of the Secretary of State for India, under date 16th October 1874, in the proposal of the Commander in Chief to place Major Buckle on half-pay, *App.* 135, 136.

See also *Press, The.*

C.

Cardwell, The Right Honourable Edward Viscount. (Analysis of his Evidence.)—Responsibility of witness, when Secretary of State for War in 1872, as well as of the Government collectively, for the organisation and efficiency of the British army, whether in India or elsewhere, 1–6——Extracts from a speech made by witness in the House of Commons on 22nd February 1872, in explanation and support of the proposal then made for establishing the rank of major in the Artillery and Engineers, with the pay and position similiar to that of a major in the line, 7.

Careful consideration before the foregoing proposition was submitted as a means not only of increasing the efficiency of the Artillery and Engineers, but of expediting promotion, 7–12——Address subsequently carried in the House on 18th June 1872 adverse to this proposal; decision nevertheless of witnsss and the Cabinet to give effect to it, 13, 14——Failure of an attempt by Sir Percy Herbert on 28th June to obtain a Select Committee for further inquiry before the intended promotion was carried out; reply made by witness on this occasion, 15. 17.

Important distinction between the position of first captains of Artillery and Engineers serving in India and those serving elsewhere, in so far as the former are paid out of the revenues of India, 16——Concurrence of witness in his evidence in 1874, upon the present question, before the Indian Finance Committee, 17. 20. 97. 147, 148——Explanation as to witness having contemplated that India might, by a saving in the system of contract allowances to certain officers of Artillery, avoid any considerable increase of expense under the Royal Warrant giving the promotion in question, 17. 19, 20. 25. 28.

Frequent communication between witness' department and the authorities at the India Office before the Warrant was issued, 18. 25–29. 45–47. 98——Letter from the India Office, dated 5th February 1872, relative the increased charge to India by restoring the grade of major in the Artillery; reply by witness to the effect that what was expedient for the British army should not be set aside because it might add to the expenditure of India, 19. 28——Impression of witness at the time of issuing the Warrant that the War Office had already made objection to the extension of contract allowances to the Artillery, 20–24.

Statement to the effect that witness had no authority whatever to interfere with Indian finance, or to control its administration in any way, 27, 28. 34——Explanation as to the Warrant of 5th July 1872 having specified that majors of Artillery should receive 14*s.* 6*d.* a day, with an addition of 1*s.* 6*d.* for command pay; this division of the total pay of 16*s.* a day was in fact made in order to remove the objection of the India Office to the Warrant, 30–34——Communication from the War Office to the India Office,

Report, 1877—*continued.*

Cardwell, The Right Honourable Edward Viscount. (Analysis of his Evidence)—*continued.*

Office, on 15th June 1872, forwarding copy of Warrant; letter in reply from the India Office, but not till 11th July, six days after the issue of the Warrant, 35–37.

Examination to the effect that witness does not recollect any communication having been received at the War Office from the Government of India enclosing memorials from certain officers of Artillery in India in December 1872; question hereon as to these officers having good ground of complaint, 38–44. 66, 67.

Probable effect of witness' speech on the Estimates on 22nd February 1872, in causing senior captains of Artillery all over the world to conclude that they would receive the pay and allowances of majors in the line, 48–57——Justification however of the omission on witness' part to make any reservation in his speech in regard to the Indian pay of Artillery officers; it was in fact no business of witness to speak as to the financial treatment of the officers in question by the Indian authorities, 51–54. 58, 59. 149, 150. 154–156.

Explanation by witness in 1872 that the Artillery captains would be treated as field officers by the Government of India, whilst he was very desirous that the objectionable system of contract allowances should at the same time be revised, 60. 63. 65. 86–96. 98. 126, 127——Postponement till 1875 of any alteration in the system of contract allowances; question hereon as to grievance applying to first captains of Artillery who left India between 1872 and 1875; 61–65——Belief that it was never contemplated to meet the demands in question out of Imperial revenue, 68, 69.

Full effect given to witness' scheme of promotion from the date of issue of the Warrants of July 1872, the Indian pay and allowances being on the other hand a question entirely for the Indian Council as part of its financial administration, 70–86——Further explanation relative to the division by witness of the daily pay of 16*s.* into 14*s.* 6*d.* and 1*s.* 6*d.*, the latter being for command pay, 78–86. 128–130——Conclusion as to the officers having made a profit out of the contract allowances for repairs of carriages and harness, these allowances having however been abolished since April 1875; 88-96. 127.

Absence of claim for compensation in respect of the delay in abolishing the contract allowances, if there were a source of profit between 1872 and 1875; 99, 100——Reiteration of the statement that the Secretary of State for War has no authority whatever to speak for matters affecting Indian finance, all such questions resting exclusively with the Indian Council, 101–104.

Increased pay and allowances received by officers when on the Indian establishment, the pay and allowances in India not being regulated by Royal Warrant, 105–107——Effect of regulating the pay and allowances in the Straits Settlements by Royal Warrant that these have been reduced, 108–113——Reference to an erroneous interpretation put upon a former proposal by witness for raising the pay of the soldier to 1*s.* a day, 114–118.

Official Return from the War Office adverted to as showing that it was not contemplated by witness to put any additional charge upon the revenues of India, 119–120. 164, 165——Correspondence in February to July 1872 between the War Office and India Office further quoted as tending to prove that witness did not in any way question the objection made by the Duke of Argyll to any change in the rate of Indian pay and allowances, 121–126.

Witness repeats that he never supposed the Royal Warrant would operate upon the finances of India, and that he looked merely for a reduction in the contract allowances, 127–132. 149–156——It is moreover the business of officers in the army to understand that the pay and allowances in India rest entirely with the Secretary of State for India in Council, 133–141. 154.

Receipt of the contract or battery allowances by some only of the majors in India; prejudice as regards those who did not receive them through the delay till 1875 in increasing the pay, 142–146——Liberal pay and allowances in India to officers of the British army as compared with the allowances in any of the colonies, 157–163.

Question as to the Government of India, in Lord Northbrook's time, having considered that the officers had a claim to the pay and allowances, 166, 167——Doubt as to there being any other instances of promotion by Royal Warrant of officers in India without their receiving the equivalent allowances of their rank, 169.

Ceylon. Anomaly if an Artillery major in Madras were to receive only captain's pay whilst a major in Ceylon would be receiving the pay of his rank, *Smyth* 721——Larger payment doubtless of British officers in India than in Ceylon; colonial allowances in the latter case, *ib.* 722–727.

Colonels' Off-reckonings. Abolition many years ago of the colonels' off-reckonings in India, an allowance having been made in lieu thereof; this case is not analagous to that before the Committee, *Smyth* 667–673. 728–733. 745–748. 773, 774.

Report, 1877—*continued.*

Command Pay and Allowances. Explanation as to the Warrant of 5th July 1872 having specified that majors of Artillery should receive 14*s.* 6*d.* a day, with an addition of 1*s.* 6*d.* for command pay; this division of the total pay of 16*s.* a day was in fact made in order to remove the objection of the Indian Office to the Warrant, *Lord Cardwell* 30–34——Further explanation relative to the division by witness of the daily pay of 16*s.* into 14*s.* 6*d.* and 1*s.* 6*d.*, the latter being for command pay, *ib.* 78–86. 128–130.

Circumstance of the Royal Warrant of July 1872 having prescribed that first captains of Artillery should not receive the pay of majors unless when in command of a battery, such command representing an extra 1*s.* 6*d.* a day, *Radcliffe* 380–383——Receipt of 1*s.* 6*d.* a day extra by first captains of Artillery and Engineers elsewhere than in India if in command of a battery; that is upon the issue of the Warrant of July 1872, *ib.* 477–479——Receipt of command allowances in India, irrespectively of contract allowances, *Smyth* 541, 542.

Dissent from the view that the division of the Artillery major's pay by Lord Cardwell into two sums was done with the direct object of facilitating subsequent action on the part of the Secretary of State for India in giving the same pay as to majors of the line; facility given, however, by this course to any re-arrangement of pay which the Secretary of State might adopt, *Sir T. T. Pears* 817–823. 979–982. 1147. 1151.

Distinction between command pay at home and in India; allowance of 1*s.* 6*d.* a day in India to each officer in command of a battery, *Sir T. T. Pears* 900, 901——Dissent from the opinion of the Income Tax Commissioners, that the command pay is part of the *bonâ fide* pay, *ib.* 902–905.

Increase made in July 1872 in the command allowance in India for a garrison battery from 30 to 100 rupees a month, *App.* 123.

Commander in Chief (*Horse Guards*). Statement to the effect that witness represents the Horse Guards and the Commander in Chief in urging the claims of the officers to the arrears of pay; he has no authority to speak for the Secretary of State for War, *Radcliffe* 260–265. 268–272. 309–311. 367, 368. 440. 455, 456——Reference to a memorandum prepared by witness, and approved by the Commander in Chief, in reply to the decision of the India Office, that the officers were sufficiently remunerated by means of the contract allowances, *ib.* 265–267.

Witness produces the memorandum submitted by him in July 1875 to the Commander in Chief, and approved by the latter for submission to the Secretary of State for India, *Radcliffe* 273–276——Concurrence of the Commander in Chief in the view that contract allowances have nothing to do with pay, *ib.* 440——Belief that the Commander in Chief held the opinion of the officers, that they would receive the pay and allowances of their rank when promoted, *ib.* 484.

Compensation (*Contract Allowances*). See *Contract Allowances*, 9. *Elephant Batteries.*

Compromise. Anxiety of witness to avoid a collision with the House of Commons, so that he proposed to the Council of India that the claims of the officers should be compromised; majority of eight to four against this course, *Lord Salisbury* 1662. 1676–1680. 1710–1712. 1762–1767. 1773–1775. 1788–1793——Opinion that a compromise can best be carried out by the claims in question being paid by the Imperial Government, *ib.* 1683, 1684. 1696. 1774. 1787–1793.

Statement to the effect that the increase of Artillery majors' pay from April 1875, the contract allowances having been withdrawn, was a politic concession; exception taken to the view that such concession should be extended so as to embrace the claims from 1872 to 1875, *Lord Salisbury* 1754–1758. 1773. 1801–1804. 1832–1840——Objection by witness to disclose the nature of the compromise suggested by him to the Indian Council, *ib.* 1774, 1775. 1796.

Contract Allowances:

1. *Origin of the Establishment of Contract Allowances in the Artillery in India.*
2. *Duties performed by the Officers in return for the Allowances; efficient Service rendered.*
3. *Profits derived by the Officers; Advantage at the same time to Government.*
4. *Question as to Government profiting by taking over the Contracts.*
5. *Expectations of the Secretary of State for War in issuing the Warrants of July* 1872, *as to the probable Abolition of the Contract System.*
6. *Argument that the Contract Allowances to Artillery Officers had nothing to do with the Pay, and that increased Pay should have followed Promotion, irrespective of the Allowances.*
7. *Dissent from the foregoing Conclusion.*
8. *Number of Officers in receipt of Contract Allowances.*
9. *Question as to Compensation having been claimed if the Allowances had been withdrawn without Increase of Pay.*
10. *Contract System proposed on the part of the War Office in* 1872.

1. *Origin*

CONTRACT ALLOWANCES—continued.

1. *Origin of the Establishment of Contract Allowances in the Artillery in India:*

Establishment of the contract allowances in the Artillery for the convenience and economy of the Government, *Radcliffe* 204. 256——Existence of the system since 1809; *Smyth* 535. 568——Obligation upon the officers to undertake the duties in question; reference hereon to orders of the Governor General in 1817 and 1842, showing the duties imposed, *ib.* 536–538. 540.

Original institution of the system of contract allowances for the benefit both of the officers and the Government, *Sir F. J. Halliday* 1386. 1449–1451.

2. *Duties performed by the Officers in return for the Allowances; efficient Service rendered:*

Reference to the duties and services rendered by the officers in return for the contract allowances, such duties not having been confined to first captains of Artillery, *Radcliffe* 221–229. 247——Amount of time and trouble necessarily involved in performing the duties for which the allowances were made, *ib.* 312–315. 326–330. 362, 363——Dissent from a statement as to the officers having on several occasions preferred to be without the contract allowances, on account of the trouble and the unremunerative prices, *ib.* 336, 337. 353–357.

Result of witness' long experience in the Royal Artillery that he can testify to the entire integrity with which officers in India having contract allowances fulfilled their contracts, *Sir J. Fitzmayer* 529–531.

Various duties and responsibilities of the captains who had the contracts; great pains taken with the batteries when on the march and in bad weather, *Smyth* 599. 611–613. 632–636. 652. 665, 666. 683——Illustration of the efficiency of the check upon negligent performance of the contracts, *ib.* 627. 710, 711.

Approval of the contract system on several grounds; efficiency of the services rendered by the officers, *Sir T. T. Pears* 937. 1011. 1017–1022——Objections made by the Artillery officers in India to the contract system, when it was proposed by the Government to take over a portion of the contracts, *ib.* 1245–1250.

Examination upon the question whether the officers holding the contract allowances were not enjoined to discharge certain extra duties in consequence of the contracts, and were not thereby fairly entitled to some consideration, *Sir F. G. Halliday* 1452–1470.

3. *Profits derived by the Officers; Advantage at the same time to Government:*

Conclusion as to the officers having made a profit out of the contract allowances for repairs of carriages and harness, these allowances having, however, been abolished since April 1875, *Lord Cardwell* 88–96. 127.

Profit made by the officers out of the contract allowances in some cases, but not in others, *Radcliffe* 206, 207. 212–215. 230. 251–253. 255. 257——Further expression of the opinion that the contract allowances to officers of the Artillery were on the whole profitable to them, *ib.* 307, 308. 316–320. 358. 427–430——Views of the Indian Government as to the important profit from the allowances, save in time of active service, *ib.* 397–400.

Profit from the allowances as a rule, though witness submits that the Government was also a gainer by the arrangement, *Radcliffe* 492–495. 503–507——Limited personal experience of witness as to the contract allowances, he having been only one year in India, when he derived a profit from them; he never heard that commanders of batteries were as a body strongly opposed to the continuance of the contracts, *ib.* 514–516.

Inquiry made in Lord William Bentinck's time by an Artillery committee into the system of contracts for the maintenance of harness, &c.; decision that the system was economical to the Government, and was also advantageous as throwing responsibilities on the officers, *Smyth* 535. 594–596. 614–628——Economy to Government under the contract system as enabling them to largely dispense with magazines, *ib.* 539. 543. 559, 560——Profit made by witness out of the allowances saved in one year; profit of about twenty-five per cent. made generally by the officers if good men of business, *ib.* 540. 561–567. 572–576. 603–613——Circumstance of the Government of India in Lord Canning's time having maintained the contract system, although Sir George Barker reported strongly against it, *ib.* 544–546. 594–598. 637–642.

Further evidence relative to the advantage of the contract system as giving Artillery captains a personal interest in the condition of their batteries, and as productive of economy to Government; doubt, however, whether on the whole the abolition of the system was unwise, *Smyth* 592, 593. 597–602. 614–636. 643–645. 715——Admission as to the handsome remuneration of the officers who had the allowances; benefit at the same time to the Indian Government, *ib.* 643–654. 661–664——Estimate of about 300 *l.* a year made by witness out of the allowances when in charge of a troop of horse artillery, *ib.* 664—— Inducement to economy when the officers were responsible under the contracts,

Contract Allowances—continued.

3. *Profits derived by the Officers, &c.*—continued.

Smyth 676. 743, 744——Great depreciation in the value of money in India between 1832 and 1872, whilst the contract allowances remained unaltered, *ib.* 760–763.

Belief as to the contract system in the Artillery having been very profitable to the officers; exception in time of war, *Sir T. T. Pears* 911–914——Examination upon the question whether the contract system was not ordered by the Secretary of State for India in 1862 to be continued though influential objections had been made to it, *ib.* 917–935.

Further statement as to the large amount of profit made by the officers; reduced profits in recent years owing to the increase of prices, *Sir T. T. Pears* 1026–1030. 1039–1042. 1068–1070. 1089–1092. 1095——Witness has never heard any complaint that the allowances were insufficient, *ib.* 1068–1070. 1092——Average profit of not less than 3,000 rupees a year, *ib.* 1095——Less profit from the contracts in time of long marches or active service, *ib.* 1189, 1190.

Consideration of the question as to the amount of profit accruing from the contract allowances; belief that this is in process of diminution through the increase of prices, *Sir F. J. Halliday* 1335–1337. 1372. 1524–1532. 1537–1540. 1629–1634——Circumstance of officers not having complained on account of any insufficiency of the allowances, *ib.* 1434. 1537——Attention of witness called to an official inquiry in Lord Canning's time unfavourable to a withdrawal of the contract system, *ib.* 1458–1463. 1533–1536——Liberality of the allowances, the responsibility and duties involved having been most handsomely paid for, *ib.* 1625–1628.

Reference in letter from the India Office, dated 3rd August 1875, to the emoluments derived by Artillery officers from the contract allowances drawn by them in India *App.* 121.

4. *Question as to Government profiting by taking over the Contracts:*

Doubt as to the pecuniary result to the Government of India by directly performing the duties formerly rendered by officers of Artillery in return for the contract allowances, *Radcliffe* 247–256——Witness questions whether Government will save anything by taking over the contracts, though the facilities for the conveyance of stores are now very great, *Smyth* 629–631. 674–676.

Difficulty in calculating what saving, if any, Government may effect by taking over the contracts, *Sir T. T. Pears* 935. 1023–1025. 1186, 1187——Doubt as to Government gaining in point of economy or efficiency by taking over the contracts, *ib.* 1185–1188.

Consideration proposed to be given by the Duke of Argyll to a letter from the Government of India in May 1873, advising an entire alteration in the system of contract allowances, *Sir F. J. Halliday* 1280–1285——Circumstance of its having been a question in 1873, as it is at the present time, whether the system of contracts was a pecuniary advantage to the Government or not, *ib.* 1285——Probability that Government will, in the long run, lose rather than gain by taking over the contracts, *ib.* 1336, 1337. 1373–1385. 1511–1519.

Difficulty in calculating whether economy will accrue to the Government of India through taking over the contracts from the officers, *Lord Salisbury* 1739–1742.

5. *Expectations of the Secretary of State for War in issuing the Warrants of July* 1872, *as to the probable Abolition of the Contract System:*

Explanation as to witness having contemplated that India might by a saving in the system of contract allowances to certain officers of Artillery avoid any considerable increase of expense under the Royal Warrant, giving promotion to first captains of Artillery, *Lord Cardwell* 17. 19, 20. 25. 28. 60. 63–65. 86–96. 126, 127—— Impression of witness at the time of issuing the Warrant, that the War Office had already made objection to the extension of contract allowances to the Artillery, *ib.* 20–24.

6. *Argument that the Contract Allowances to Artillery Officers had nothing to do with the Pay, and that increased Pay should have followed Promotion, irrespective of the Allowances:*

Exception taken to the alteration of the pay and allowances in 1875 as made in consideration of the contract allowances being abolished, whereas the latter had nothing whatever to do with the former, *Radcliffe* 203–205. 256–258——Claim to the arrears of pay, irrespectively of the contract allowances, *ib.* 359, 360——Better position of the officers who had the allowances, if they get the arrears of pay, than of officers since the abolition of the former, *ib.* 361.

Reiteration of the opinion that the contract allowances are altogether separate from the pay, and should not be taken into consideration in fixing the latter, *Radcliffe* 384–405. 427–431——Argument in further support of the conclusion that the contract allowances formed

Report, 1877—*continued.*

CONTRACT ALLOWANCES—continued.

6. *Argument that the Contract Allowances to Artillery Officers, &c.*—continued.

formed no part of the pay, and were in fact in the nature of a contract for the performance of certain work, *Radcliffe* 490, 491. 496–507——Postponement of action as to the contract allowances from 1872 to 1875, witness submitting that the officers who received them should be liberally dealt with as to pay, *ib.* 517–519.

Statement that in India the allowances were never considered part of an officer's income, *Smyth* 541. 564, 565. 589——Evidence in further support of the conclusion that the allowances were for work done, had nothing to do with the pay, and form no good reason for withholding the increase of pay in the case before the Committee, *ib.* 655–659. 687–702. 712–714. 734–742.

7. *Dissent from the foregoing Conclusion:*

Postponement till 1875 of any alteration in the system of contract allowances; question hereon as to grievance applying to first captains of Artillery who left India between 1872 and 1875, *Lord Cardwell* 61–65——Absence of claim for compensation in respect of the delay in abolishing the contract allowances if these were a source of profit between 1872 and 1875, *ib.* 99, 100.

Argument that it is perfectly fair to consider the profits from the contract allowances as part of the officer's remuneration, though it is not technically in the nature of pay, *Sir T. T. Pears* 1009, 1010. 1019. 1183, 1184.

Doubt as to witness having ever heard from Artillery officers in India that the profits from the contract allowances were looked upon as part of the pay, *Sir F. J. Halliday* 1297, 1298——Admission that the contract question is very important in the discussion of the subject-matter of the present inquiry, *ib.* 1299–1303——Denial that the contract allowances were altogether distinct from the pay, or were in the nature of a bargain between the officers and Government, *ib.* 1621–1625.

8. *Number of Officers in receipt of Contract Allowances:*

Receipt of the contract or battery allowances by some only of the majors in India; prejudice as regards those who did not receive them through the delay till 1875 in increasing the pay, *Lord Cardwell* 142–146.

Circumstance of first captains not in command of batteries, not having had contract allowances, *Radcliffe* 231–234. 254——Statement in letter from the Governor General of India in May 1873 as to majors of Engineers not receiving any contract allowance, *ib.* 286.

Return of the number of Artillery batteries in India on 1st January 1868 and 1st January in each succeeding year, showing the first captains in command of batteries for which contract allowances were granted, and of batteries for which no such allowances were granted, *App.* 129.

9. *Question as to Compensation having been claimed if the Allowances had been withdrawn without Increase of Pay:*

Conclusion that the officers deprived of the contract allowances in 1872 would not have had any ground of complaint, *Radcliffe* 432–436——Dissent from the conclusion that if the contract system had been abolished (without increase of pay) compensation would have been claimed, though command pay would probably have been expected, *Smyth* 677–682. 687–694——Circumstance of Sir George Barker having proposed an allowance in lieu of the contract system, *ib.* 678–681.

Expected claim for compensation if the allowances had been withdrawn without increase of pay, *Sir T. T. Pears* 1098, 1099.

10. *Contract System proposed on the part of the War Office in* 1872:

Statement as to a War Office Committee in 1872 having proposed that officers commanding regiments and batteries should take contracts for certain supples, *Smyth* 552–554. 569–571.

See also *Elephant Batteries.* *Expenditure.* *Pay Allowances.*

Council of India. See *India Office.*

D.

Discipline. Entire control of he War Office over the discipline of the Army in India *Sir T. T. Pears* 1073.

Report, 1877—*continued.*

Duties (*Majors of Artillery*). Statement that it was considered by the India Office that the Artillery majors in question were sufficiently remunerated, no extra duties having been thrown upon them, *Sir T. T. Pears* 983–987. 1007–1010——Exceptional instances of a grade of officers being promoted without performing different duties, *Sir F. J. Halliday* 1583——Statement as to the difference of rank in the case now under consideration not having been followed by any difference of duties, *ib.* 1612–1616——Belief that no extra duties were placed upon the officers on their promotion to the rank of major, entitling them to any increase of pay, *Lord Salisbury* 1666. 1830.

E.

East India Company. Liberal practice formerly of the East India Company in the grant of allowances so as to equalise the position of their own officers and of the Queen's officers, *Smyth* 548, 549. 695–698.

Elephant Batteries. Statement on the subject of the compensation of 250 rupees a month given to officers commanding elephant batteries in the absence of contract allowances, *Radcliffe* 386–396. 437–439——Good claim of the officers in command of elephant batteries to the extra allowance of 250 rupees a month, *ib.* 523–526.

Special command allowance of 250 rupees a month given to officers in command of heavy field batteries, as not having contract allowances, *Sir T. T. Pears* 1089–1091——Explanation as to Government having given an allowance of 250 rupees a month in lieu of contract allowances in the case of certain heavy field batteries, *Sir F. J. Halliday* 1337. 1508–1510. 1541–1546.

EXPENDITURE. (*REVENUES OF INDIA*):

1. *Explanation on the part of Lord Cardwell disclaiming any Intention, as Secretary of State for War in* 1872, *of imposing a Charge upon the Revenues of India in respect of the Promotion of Artillery and Engineer Officers.*
2. *Amount of Expense involved in the Promotion in Question.*
3. *Absolute Financial Control vested in the Council of India; importance of maintaining such Control as regards Military Expenditure.*
4. *Charge upon India in respect of the Army.*
5. *Growing Expenditure of India.*

1. *Explanation on the part of Lord Cardwell disclaiming any Intention, as Secretary of State for War in* 1872, *of imposing a Charge upon the Revenues of India in respect of Artillery and Engineer Officers:*

Important distinction between the position of first captains of Artillery and Engineers serving in India and those serving elsewhere, in so far as the former are paid out of the revenues of India, *Lord Cardwell* 16——Statement to the effect that in issuing the Warrants of July 1872 witness had no intention or authority whatever to interfere with Indian finance, or to control its administration in any way, *ib.* 27, 28. 34.

Reiteration of the statement that the Secretary of State for War has no authority whatever to speak for matters affecting Indian finance, all such questions resting exclusively with the Indian Council, *Lord Cardwell* 70–86. 101–104. 127–132. 149–156—— Official Return from the War Office adverted to as showing that it was not contemplated by witness to put any additional charge upon the revenues of India, *ib.* 119, 120. 164, 165.

Correspondence in February to July 1872 between the War Office and India Office quoted as tending to prove that witness did not in any way question the objection made by the Duke of Argyll to any change in the rate of Indian pay and allowances, *Lord Cardwell* 121–126.

2. *Amount of Expense involved in the Promotion in Question:*

Letter from the Governor General in Council dated 17th April 1874, submitting explanations relative to the profit made by Artillery officers out of the system of contracts, and the probable net cost by increasing the pay and withdrawing or recovering the contract allowances, *Radcliffe* 281, 282——Information based on the accounts in India as to the actual loss suffered by first captains of Horse and Foot Artillery in 1872–74 through not receiving the pay of majors in the line, *ib.* 284-289.

Particulars

EXPENDITURE. (*REVENUES OF INDIA*)—continued.

2. *Amount of Expense involved in the Promotion in Question*—continued.

Particulars as to the number of field, horse, and garrison batteries in India in July 1872 and at the present time; belief as to there having been only seventy-six first captains in actual command of batteries in February 1872; *Radcliffe* 338-347. 422, 423—— Question considered whether there is not much exaggeration in a statement on the part of the India Office in February 1872, that the increase of pay in question would apply to 120 officers, and would be about 420 *l.* a year in each case, or a total of 50,000 *l.*, *ib.* 344-352. 422-426.

Doubt as to witness having over-estimated in computing that 120 first captains were affected by the promotion under the Warrant of July 1872; data for the calculation that the increase of pay would have been 420 *l.* in each case, *Sir T. T. Pears* 1031-1038. 1148-1150.

Information required by the India Office from the Government of India as to the financial effect of a withdrawal of the contract allowances concurrently with an increase of pay; action eventually taken to this effect as from 1st April 1875, *Sir T. T. Pears* 1123-1127.

Consideration of a calculation made officially in India to the effect that by increasing the pay of the Artillery and Engineer majors and by withdrawing the contract allowances, the net result will be an increased cost of about 30,000 *l.* a year to Government, *Sir F. J. Halliday* 1336. 1373-1378. 1413, 1414. 1639, 1640——Very little importance of the amount claimed as compared with the principle involved, *ib.* 1588, 1589. 1644, 1645.

Exception taken in letter from the India Office, dated 5th February 1872, to the large increase of expenditure (estimated at about 50,000 *l.*) involved in the proposed promotion of Artillery captains in India, *App.* 123, 124.

3. *Absolute Financial Control vested in the Council of India; Importance of maintaining such Control as regards Military Expenditure:*

Inability of the Secretary of State for India to deal with any matter relating to finance irrespectively of the Council, *Sir T. T. Pears* 909, 910—— Entire control of the Council of India in all matters of expenditure, *ib.* 1073-1076.

Absolute power of the Council to over-ride any recommendation on the subject of increased pay by the Secretary of State for India, *Sir F. J. Halliday* 1332-1334. 1600-1603—— Entire control of the Council of India over all questions of expenditure, including military pay and allowances in India; reference hereon to Section 41 of the Act 21 & 22 Vict. c. 106, *ib.* 1492-1500—— Special importance of the duty of the Council of India in checking expenditure, the military expenditure being the most difficult to control, *ib.* 1553-1558. 1652, 1653.

Argument that it would be most unwise for the Secretary of State for India in Council to admit the principle for which the officers in question are contending; immense importance of this principle in reference to the future financial administration of India, *Sir F. J. Halliday* 1585-1589. 1644, 1645.

Great importance of maintaining the principle that the Imperial Government cannot place a charge upon the taxpayers of India, as by means of Royal Warrants, without the formal consent of the Indian Council, *Lord Salisbury* 1674, 1675. 1716-1751. 1759-1767. 1789-1795. 1799, 1800. 1838——Scant financial resources of India, so that it is the more essential to vigilantly watch the expenditure, *ib.* 1810-1813.

4. *Charge upon India in respect of the Army:*

Opinion as to the fairness of the charge upon India in respect of the 60,000 troops in that country, though witness objects to the particular charge sought to be imposed in the case now before the Committee, *Sir F. J. Halliday* 1322-1330—— Comment upon a certain proposal that one-third of the entire cost of the British army shall be charged upon the revenues of India, *ib.* 1325. 1438-1445.

Special agreement as to the payment by India for the 62,000 troops of the Imperial Government in India, *Lord Salisbury* 1691, 1692. 1699—— Difficulties in the way of a lump payment by India for its entire share of the military charges, 1814 1818.

5. *Growing Expenditure of India:*

Concurrence in the view that it is most essential that the Indian Government should check the growing expenditure of India as much as possible; great increase since the time of the East Indian Company, *Smyth* 684-686. 716-718.

See also *Army Organisation. Contract Allowances. India Office. Pay and Allowances. Royal Warrants. Short Service System. Soldiers' Pay. Staff Corps.*

Report, 1877—*continued.*

F.

First Lieutenants (Ordnance Corps). Statement as to some of the first lieutenants of the former ordnance corps having for some years received only second lieutenants' pay, *Sir T. T. Pears* 796. 798, 799. 1146.

Fitzmayer, Lieutenant General, Sir James, R.A., K.C.B. (Analysis of his Evidence.)—Result of witness' long experience in the Royal Artillery that he can testify to the entire integrity with which officers in India having contract allowances fulfilled their contracts, 529–531——Opinion that the officers in question had every right to expect some reply to their memorials relative to the arrears of pay, 532. 534——Conclusion that the officers should most certainly have received the pay of the rank to which they were promoted, 533.

G.

Garrison Batteries. Belief that the officers in command of garrison batteries before 1872 received not only contract allowances but command allowance, *Radcliffe* 437–439——Invidious distinction if the increased pay on promotion had been given to the officers having contracts, and not also to those commanding garrison batteries, *Sir T. T. Pears* 829–831.

Despatch from the Duke of Argyle to the Government of India, under date 18th July 1872, notifying that the command allowance for a garrison battery will be increased from 30 to 100 rupees per month, *App.* 123.

Governor General of India. See *Indian Government.*

H.

Halliday, Sir Frederick James, K.C.B. (Analysis of his Evidence.)—Long experience of witness in the Civil Service of India; since September 1868 he has been a member of the Council of India, 1260–1262.

Reference to a letter from the India Office to the War Office, on the 13th June 1877, as first conveying the decision of the Secretary of State for India as to the future payment of the majors of Artillery and Engineers promoted in 1872; statement in this letter that the validity of the claim to arrears of pay could not be admitted, 1263–1266——Explanation that certain letters from the India Office, on the 5th and 8th February 1872, several months before the Warrants for the promotion of the officers were sent from the War Office to the India Office, were written in consequence of previous communications on the subject between the chiefs of the two departments, 1267–1274.

Dissent from the inference that certain paragraphs in the letter of 13th June 1877 purport to show that Lord Cardwell (as Secretary of State for War in 1872) was a party to the officers in question receiving no increase of pay, 1275–1277——Statement as to the Duke of Argyle (as Secretary of State for India), in Council, having determined in July 1872 that there was no necessity for increasing the pay of these officers in India upon their increase of rank, 1278–1280——Consideration proposed to be given by the Duke of Argyle to a subsequent letter from the Government of India in May 1873, advising an entire alteration in the system of contract allowances, 1280–1285.

Circumstance of its having been a question in 1873, as it is at the present time, whether the system of contracts was a pecuniary advantage to the Government or not, 1285——Mention of two cases as precedents for not giving increase of pay upon promotion to a higher rank, 1286, 1287. 1483——Evidence relative more especially to the promotion of majors of Artillery in 1858 to lieutenant colonels, whilst a large proportion did not for many years receive the pay of the latter rank, 1286–1296. 1471–1483.

Doubt as to witness having ever heard from Artillery officers in India that the profits from the contract allowances were looked upon as part of the pay, 1297, 1298——Admission that the contract question is very important in the discussion of the subject-matter of the present inquiry, 1299. 1303——Exception taken to Lord Cardwell's expectation that the India Office would increase the pay concurrently with a saving by taking over the contracts, 1300–1304.

Sympathy of the military authorities in India, and of the Governor General in Council, with the officers in question; hence the tendency of the Government of India to look favourably upon the claims put forward, 1305–1310——Personal sympathy also of witness and of the members generally of the Council of India, who are closely connected with officers in India; expediency on this score of the Council being supported by Parliament in its financial administration of that country, 1305. 1310. 1388–1400.

Dissent

Report, 1877—*continued.*

Halliday, Sir Frederick James, K.C.B. (Analysis of his Evidence)—continued.

Dissent from the inference that certain expressions in a letter from the Government of India, dated 14th May 1873, implied that the officers might look forward to a satisfactory settlement of their claims, 1311, 1312——Statement in justification of the tone of certain correspondence of the India Office repelling claims of the War Office upon the finances of India, 1314-1318. 1406——Little, if any, grievance to the Artillery and Engineer officers by reason of the delay in getting a positive decision upon their memorials, their claims not being tenable, 1319–1321. 1331. 1401–1405.

Opinion as to the fairness of the charge upon India in respect of the 60,000 troops in that country, though witness objects to the particular charge sought to be imposed in the case now before the Committee, 1322–1330——Comment upon a certain proposal that one-third of the entire cost of the British army shall be charged upon the revenues of India, 1325. 1438-1445——Special function of the Council of India to watch over the revenues of India, the Secretary of State for War having no power whatever to fix any charge upon them; nor can the Secretary of State for India override the Council in financial matters, 1332-1334.

Further consideration of the question as to the amount of profit accruing from the contract allowances; belief that this is in process of diminution through the increase of prices, 1335-1337. 1372. 1524–1532. 1537–1540. 1629-1634——Probability that Government will in the long run lose rather than gain by taking over the contracts, 1336, 1337. 1373–1385. 1511–1519——Consideration of a calculation made officially in India to the effect that by increasing the pay of the Artillery and Engineer majors, and by withdrawing the contract allowances, the net result will be an increased cost of about 30,000 *l.* a year to Government, 1336. 1373-1378. 1413, 1414. 1639, 1640.

Statement as to Government having given an allowance of 250 a month in lieu of contract allowances in the case of certain heavy field batteries, 1337. 1508–1510. 1541–1546——Concurrence in a certain Despatch from Lord Salisbury as to the inexpediency of British officers temporarily employed in India appealing to the Government of India upon questions respecting their pay, 1338.

Examination as to the India Office having held that the claims put forward by the officers should go to the War Office, through the Commander in Chief in India, 1339–1363——Feeling of officers in India as to its being their duty to approach the War Office through the Secretary of State for India, 1359–1365——Much larger pay and allowances of majors of Artillery in India than in England, though from 1872 to 1875 not equal to that of majors in the line on account of the contract and command allowances having been taken into consideration in the former case, 1366–1371.

Original institution of the system of contract allowances for the benefit both of the officers and the Government, 1386. 1449–1451——Doubt as to the amount of sympathy felt by military officers generally for the care of the Artillery and Engineer majors, 1404, 1405. 1412——Advantage of some system whereby the War Office and India Office might be brought more into harmony as regards finance, 1406–1411.

Statement to the effect that the intended issue of the War Office Warrant in 1872 did not come officially to the knowledge of the Indian Council in time for consultation with the Government of India before its issue, 1415-1421——Expediency of sufficient time for consulting the Government of India in connection with any War Office changes affecting the finances of India, 1422–1426.

Impression that the Government of India were consulted with reference to the additional 2 *d.* a day given to the soldier, which involved an estimated cost of 250,000 *l.* a year to India, though the actual cost may not have been nearly so much, 1427–1431. 1520–1523. 1641–1643——Circumstance of officers not having complained on account of any insufficiency of the contract allowances, 1434–1437——Decided approval of a rule prohibiting military officers from communicating their grievances to the press, 1435–1437.

Statement as to the increased pay having been refused by the India Office in July 1872 to Artillery and Engineer majors, on the ground that they were already liberally remunerated for their services; that is, including the remuneration from the contract and command allowances, 1446–1449. 1483——Examination upon the question whether the officers holding the contract allowances were not enjoined to discharge certain extra duties in consequence of the contracts, and were not thereby fairly entitled to some consideration, 1452–1470——Attention of witness called to an official inquiry in Lord Canning's time unfavourable to a withdrawal of the contract system, 1458–1463. 1533–1536.

Evidence with further reference to the course pursued in not granting an increase of pay upon the former promotion of Artillery majors to the rank of lieutenant colonel, 1471–1486. 1501——Expediency of each case being judged on its own merits, witness further contending that the claims in the case now before the Committee should not be

Report, 1877—*continued.*

Halliday, Sir Frederick James, K.C.B.—continued.

granted, 1486–1491——Entire control of the Council of India over all questions of expenditure, including military pay and allowances in India; reference hereon to Section 4 of the Act 21 & 22 Vict. c. 106; 1492–1500——Question whether in former years the Government of India did not on more than one occasion give an increase of pay to officers and men of the British Army in India, 1502–1507.

Special importance of the duty of the Council of India in checking expenditure, the military expenditure being the most difficult to control, 1553–1558. 1652, 1653——Much more liberal pay of majors of Artillery than if the pay were regulated by Royal Warrant, 1559–1564.

Statement showing that the Indian Government proposed at first to give a higher rate of pay, concurrently with the abolition of contract allowances, from 1st April 1874, and afterwards from 1st April 1875; 1566–1571——Claim on the other hand of the officers to an increase of pay from the date of issue of the Royal Warrant; fallacy in founding such claim upon the Warrant, 1571–1576.

Explanation of the circumstances under which the sanction of the Indian Council was given to the expenditure involved in the Warrant establishing the Staff Corps, 1577–1582——Exceptional instances of a grade of officers being promoted without performing different duties, 1583——Circumstance of Lord Cardwell not having protested whilst in office against the decision of the Duke of Argyll in July 1872 adverse to any increase of pay, 1584.

Argument that it would be most unwise for the Secretary of State for India in Council to admit the principle for which the officers in question are contending; immense importance of this principle in reference to the future financial administration of India, 1585–1589. 1644, 1645——Persistent resistance of the claim from the first; grave dereliction of duty otherwise on the part of the Council of India, 1586. 1593, 1594. 1652, 1653——Reference to the evidence before the Committee as tending to strengthen rather than to weaken the opinions formed by witness, 1590–1592. 1605–1607——Very little importance of the amount claimed as compared with the principle involved, 1588, 1589. 1644, 1645.

Statement to the effect that the Indian Council would give full consideration to any recommendation by the present Committee favourable to the officers' claims, but would probably continue to resist the claims unless enforced by an Act of Parliament, 1595–1599. 1604——Absolute power of the Council to over-ride any reommendation on the subject by the Secretary of State for India, 1600–1603.

Entire justification of the course pursued in increasing the pay in 1875, the contract and other allowances having been withdrawn; indecent haste if this had been done in 1872; 1607–1609——Higher pay of a major of Horse Artillery, if the claims were granted, than of a lieutenant-colonel of the same corps, 1609–1611——Statement as to the difference of rank not having been followed by any difference of duties, 1612–1616.

Feeling of Indian authorities, both civil and military, adverse to the increase of rank; on this and other grounds the Indian Council justify their refusal to give an increase of pay, 1613–1620. 1636–1638——Denial that the contract allowances were altogether distinct from the pay, or that they were in the nature of a bargain between the officer and Government, 1621–1625——Liberality of the allowances, the responsibility and duties involved having been paid most handsomely for, 1625–1628.

Explanation as regards the bonus question, and the ultimate consent of the Council of India to meet the officers' claims, that no such principle was involved as in the present case, 1646–1653.

Full admission as to the value of the British army in India, though in the particular case before the Committee the value had been reached, and an increase of rank and pay was unnecessary, 1654——Similar pay of officers as in the time of the East India Company; apprehension lest the Government of India may be forced to reduce the pay, which is much higher than in China, Ceylon, or elsewhere, 1655–1657.

I.

Imperial Government. Belief that it was never contemplated to meet the demands of the officers in question out of Imperial revenue, *Lord Cardwell* 68, 69.

Comment upon the objection raised by the War Office, on the score of Imperial expense, to the decision of the India Office to give increased pay to Artillery majors in India from April 1875; correspondence hereon between the War Office and India Office, *Sir T. T. Pears* 1137–1142. 1251.

Expediency of a complete understanding between the Imperial Government and the Council of India so as to obviate any dispute in future in connection with questions of pay,

Report, 1877—*continued.*

Imperial Government—continued.

pay, &c. in India; prospect of a satisfactory arrangement being soon arrived at, *Lord Salisbury* 1693–1698. 1794. 1818, 1819.

Explanation in correspondence between the War Office and India Office, in June and July 1875, relative to the increased Imperial charge entailed by the increase of pay sanctioned by the Indian Council for majors of Artillery and Engineers in India, *App.* 118, 119.

See also *Army Organisation. Compromise. Expenditure.*

India Office (Council of India):

Frequent communication between witness' department and the authorities at the India Office, before the Warrant of July 1872 was issued, promoting Artillery captains to the rank of major, *Lord Cardwell* 18. 25. 45–47. 98. 121–126——Communication from the War Office to the India Office, on 15th June 1872, forwarding copy of Warrant; letter in reply from the India Office, but not till 11th July, six days after the issue of the Warrant, *ib.* 35–37.

Admission that the Indian Government never undertook to give major's pay, or promised anything which they have withheld, *Radcliffe* 467–476.

Due care taken by witness, in his communications with the Secretary of State for War in 1872, to explain that he in no wise gave the opinion of the Council of India, *Sir T. T. Pears* 783——Belief that Lord Cardwell was warned by witness, before the issue of the Warrants in July 1872, that the Council of India would probably object to increase the pay of the officers in question, *ib.* 800–804. 817.

Statement to the effect that the Indian Council was never consulted before the issue of the Warrants, although there may have been frequent communication between Lord Cardwell and the Duke of Argyll, *Sir T. T. Pears* 803–816. 1053–1058. 1196, 1197——Justification of the course pursued by the India Office upon the occasion of the issue of the Warrant in India as well as previously, *ib.* 1096–1116.

Reference to a letter from the India Office to the War Office, on the 13th June 1877, as first conveying the decision of the Secretary of State for India as to the future payment of the majors of Artillery and Engineers promoted in 1872; statement in this letter that the validity of the claim to arrears of pay could not be admitted, *Sir F. J. Halliday* 1263–1266——Dissent from the inference that certain paragraphs in the letter of 13th June 1877 purport to show that Lord Cardwell (as Secretary of State for War in 1872) was a party to the officers in question receiving no increase of pay, *ib.* 1275–1277.

Explanation that certain letters from the India Office, on the 5th and 8th February 1872, several months before the Warrants for the promotion of the officers from the War Office were sent to the India Office, were written in consequence of previous communications on the subject between the chiefs of the two departments, *Sir F. J. Halliday* 1267–1274.

Statement in justification of the tone of certain correspondence of the India Office repelling claims of the War Office upon the finances of India, *Sir F. J. Halliday* 1314–1318. 1406——Special function of the Council of India to watch over the revenues of India, the Secretary of State for War having no power whatever to fix any charge upon them; nor can the Secretary of State for India override the Council in financial matters, *ib.* 1332–1334. 1600–1603——Persistent resistance of the claim from the first; grave dereliction of duty otherwise on the part of the Council of India, *ib.* 1586. 1593, 1594. 1652, 1653.

Concurrence in the evidence of Sir Frederick Halliday as to the Council of India not being in any way bound by communications between the Duke of Argyll, as Secretary of State for India in 1872, or Sir Thomas Pears and the War Office in reference to the pay of Artillery and Engineer majors in India, *Lord Salisbury* 1658–1660——Natural jealousy on the part of the Indian Council of any interference of the Imperial Government in the disposal of the revenues of India, *ib.* 1661. 1674. 1751–1753. 1789–1792. 1799, 1800——Entire agreement between witness and the Council as to the officers' claims being without any equitable validity, *ib.* 1662. 1681–1683. 1797, 1798.

Correspondence between the India Office and War Office relative to the momorials and claims of the majors of Artillery and Engineers in India respecting increase of pay, *App.* 117 *et seq.*——Letter from the India Office to the War Office, dated 11th July 1872, objecting on several grounds to the changes proposed in the Artillery and Engineers, *ib.* 128.

Despatch from the Duke of Argyll to the Government of India, under date 18th July 1872, notifying the steps to be taken by the authorities in India in connection with the Royal Warrants, *App.* 123.

See also *Army Organisation. Contract Allowances. Expenditure. Pay and Allowances. Royal Warrants. Soldiers' Pay. War Office.*

Report, 1877—*continued.*

Indian Government (Governor General in Council):

Question as to the Government of India, in Lord Northbrook's time, having considered that the Artillery majors had a claim to the pay and allowances of their rank, *Lord Cardwell* 166, 167. 252.

Letter from the Governor General of India in Council to the Secretary of State for India, dated 15th May 1873, submitting that it would be expedient to grant the higher rates of pay to majors of Artillery and Engineers, and to withdraw the contract allowances for repairs of Artillery carriages, harness, &c., *Radcliffe* 279, 280. 283—— Conclusion arrived at, in letter from the Indian Government of 17th April 1874, that the increase of expenditure is necessary, and that the officers naturally look to receive the pay of their rank, *ib.* 282.

Examination upon the question whether the letters from the Government of India, in May 1873 and April 1874, do not, in recommending an increase of pay, stipulate at the same time for a withdrawal of the contract allowances, *Radcliffe* 370–379.

Dissent from the view that the Governor General, according to a certain letter of 19th January 1875, considered that officers on full majors' pay in India were in reality no better off than their brother officers in India; reference had by this letter merely to the rate of command pay, *Sir T. T. Pears* 870–872—— Anxious desire at all times of the Indian Government to place all classes of troops in India on an equitable footing, *ib.* 875, 876—— Denial that the Indian Government have, in any of their despatches, favoured the claims of the officers, *ib.* 1128–1133.

Sympathy of the military authorities in India, and of the Governor General in Council, with the officers in question; hence the tendency of the Government of India to look favourably upon the claims put forward, *Sir F. J. Halliday* 1305-1310—— Dissent from the inference that certain expressions in a letter from the Government of India, dated 14th May 1873, implied that the officers might look forward to a satisfactory settlement of their claims, *ib.* 1311, 1312.

Statement to the effect that the intended issue of the War Office Warrant in 1872 did not come officially to the knowledge of the Indian Council in time for consultation with the Government of India before its issue, *Sir F. J. Halliday* 1415–1421—— Expediency of sufficient time for consulting the Government of India in connection with any War Office changes affecting the finances of India, *ib.* 1422–1426.

Absence of power in the Governor General in Council to sanction alterations in pay, though his recommendations on the subject would carry great influence, *Lord Salisbury* 1770–1772.

L.

Lieutenant Colonels (Indian Artillery and Engineers). Statement in regard to the promotion several years ago of several majors of Indian Artillery to the rank of lieutenant colonel without receiving the pay of the latter rank; important distinction between the case of these officers and that now before the Committee, *Radcliffe* 413–420. 509–515 —— Absence of any analogy between the case of the officers in question and that of the majors of the old Indian army, promoted in 1858 to the rank of lieutenant colonel, *Smyth* 577–586.

Explanation on the subject of certain lieutenant colonels of Indian Artillery and Engineers having formerly received only majors' pay up to 1872; *Sir T. T. Pears,* 796–798. 877–885. 965-968. 1145—— Statement as to the Government of India having complied with the Warrant of 1872 in directing that all lieutenant colonels of Artillery then in India on majors' pay should receive the pay and allowances of their rank, *ib.* 996–1006.

Evidence relative to the promotion of majors of Artillery, in 1858, to lieutenant colonels, whilst a large proportion did not for many years receive the pay of the latter rank, *Sir F. J. Halliday* 1286–1296. 1471–1483——Further reference to the course pursued in not granting an increase of pay upon the former promotion of Artillery majors to the rank of lieutenant colonel, *ib.* 1471–1486. 1501.

Despatch from the Duke of Argyll to the Government of India, dated 18th July 1872, notifying that all lieutenant colonels of Artillery in India are in future to receive the pay and allowances of that rank, *App.* 123.

Line Regiments. Doubt as to the amount of sympathy felt by military officers generally for the case of the Artillery and Engineer majors, *Sir F. J. Halliday* 1404, 1405. 1412.

M.

Madras Army. Satisfactory working of the former system of allowances to officers in the Madras army for saddlery and harness, *Sir T. T. Pears* 938–942.

Majors (*Artillery and Engineers*). Extracts from a speech made by witness in the House of Commons, on 22nd February 1872, in explanation and support of the proposal then made for establishing the rank of major in the Artillery and Engineers with the pay and position similar to that of a major in the line, *Lord Cardwell* 7——Careful consideration before the foregoing proposition was submitted as a means not only of increasing the efficiency of the Artillery and Engineers, but of expediting promotion, *ib.* 7–12.

Address subsequently carried in the House, on 18th June 1872, adverse to this proposal; decision, nevertheless, of witness and the Cabinet to give effect to it, *Lord Cardwell* 13, 14——Failure of an attempt by Sir Percy Herbert, on 28th June, to obtain a Select Committee for further inquiry before the intended promotion was carried out; reply made by witness on this occasion, *ib.* 15–17.

Statement to the effect that the promotions to the rank of major were made through the "London Gazette," rather than through the Warrant of July 1872; *Sir T. T. Pears* 1252–1256.

Feeling of Indian authorities, both civil and military, adverse to the increase of rank; on this and other grounds the Indian Council justify their refusal to give an increase of pay, *Sir F. J. Halliday* 1613–1620. 1636–1638.

Communication from the Master General of the Ordnance, dated 6th November 1827, abolishing the regimental rank of major of Artillery, and notifying other changes in the organisation of the regiment, *App.* 138.

See also *Brevet Rank. Contract Allowances. Duties. Expenditure. India Office. Memorials and Complaints. Pay and Allowances. War Office.*

Manderson, Major. Explanation as to the India Office having stated, in July 1876, that a memorial from Major Manderson, then at home on leave from India, should have been first referred to the authorities in India, *Sir T. T. Pears* 1233, 1234.

Memorials and Complaints:

Examination to the effect that witness does not recollect any communication having been received at the War Office from the Government of India, enclosing memorials from certain officers of Artillery in India, in December 1872; question hereon as to these officers having good ground of complaint, *Lord Cardwell* 38–44. 66, 67.

Frequent applications received at the Horse Guards from Artillery and Engineer officers, since June 1875, claiming arrears of pay from the Government of India; previously to June 1875 no memorials on the subject ever reached the Horse Guards, *Radcliffe* 171–177. 197. 198.

Letter from the Commander in Chief in India, under date 9th August 1875, respecting the memorials received from certain majors of Artillery relative to their claim to the pay of their rank from the date of the Royal Warrant of July 1872, *Radcliffe* 180–182; *App.* 117.

Statement on the part of the India Office that any applications should be made direct to the authorities in India, *Radcliffe* 183, 184——Omission on the part of the India Office to make any direct or satisfactory reply to the officers' applications; undue delay in this respect, *ib.* 186–189. 209–211. 217–220.

Communications from the Horse Guards to the India Office in November 1875, enclosing letter from the Commander in Chief in India of the 9th August 1875, with reference to the memorials of certain Artillery officers relative to the arrears of pay, *Radcliffe* 276——Circumstance of a letter from the Commander in Chief in India, dated 18th February 1875, submitting certain memorials having never reached the Horse Guards, *ib.* 276–278.

Long interval without any decision on the part of the India Office as to the claims in question; letter on 23rd July 1875, to the effect that the claims would not be granted, *Radcliffe* 297–300——Probability of the delay in connection with the officers' memorials having arisen through these having been accidentally forwarded to the Secretary of State for India, whose province it was not to deal with them, *ib.* 364–366——Despatch from Lord Salisbury in July 1874 adverted to as admitting the right of appeal in officers of the English Army in India to the Horse Guards or War Office upon questions of pay, &c., *ib.* 520.

Opinion that the officers in question had every right to expect some reply to their memorials relative to the arrears of pay, *Sir J. Fitzmayer* 532. 534.

Report, 1877—*continued.*

Memorials and Complaints—continued.

Conclusion that any memorials from officers in India should first be sent to the Commander in Chief in India, the latter being responsible to the Governor General, *Smyth* 749-758. 764-768.

Explanation of the action of the India Office in dealing with the memorials received from the officers who considered themselves aggrieved, *Sir T. T. Pears* 1117-1122. 1203-1207——Circumstances under which a letter from the Horse Guards to the India Office, enclosing representations from the officers in India, was returned through witness without an answer, as not having come through the War Office, *ib.* 1215-1218. 1224——Communications sent from the India Office to the War Office to the effect that the decision not to pay the arrears claimed must be adhered to; letter to a similar effect to the Horse Guards in August, *ib.* 1218-1224. 1231, 1232.

Little, if any, grievance to the Artillery and Engineer officers by reason of the delay in getting a positive decision upon their memorials, their claims not being tenable, *Sir J. F. Halliday* 1319-1321. 1331. 1401-1405——Concurrence in a certain Despatch from Lord Salisbury as to the inexpediency of British officers temporarily employed in India appealing to the Government of India upon questions respecting their pay, *ib.* 1338.

Examination as to the India Office having held that the claims put forward by the officers should go to the War Office through the Commander in Chief in India, *Sir F. J. Halliday* 1339-1363——Feeling of officers in India as to its being their duty to approach the War Office through the Secretary of State for India, *ib.* 1359-1365.

Admission that on a review of the action of the War Office and of all the circumstances of the case, the complaints of the officers are exceedingly natural from their own point of view, *Lord Salisbury* 1663-1665. 1777-1787. 1820-1831. 1841, 1842.

Expediency of memorials from officers as regards pay going through the Government of India to the Secretary of State for India; belief that in the present case there has been no neglect at the India Office in this respect, *Lord Salisbury* 1743-1749.

Claims submitted in letters or memorials from Lieutenant Colonel Purvis, and from Majors Worsley, Ritchie, and Newport, *App.* 119, 120.

Letter from the War Office to the India Office, dated 3rd August 1876, and letter in reply, dated 10th August 1876, with reference to the question of memorials as to pay being referred to the authorities in India, *App.* 122, 123.

Memorandum, dated Horse Guards, 24th July 1877, to the effect that a certain paper submitted to the Commander in Chief, in September 1875, was intended to be sent on to the Secretary of State for India, *App.* 137.

See also *Buckle, Major, C. R.* *Manderson, Major.* *Parliament.* *Purvis, Lieutenant Colonel, H.M.G.*

N.

Napier, Lord. Communication from Lord Napier of Magdala, as Commander in Chief in India, to the War Office, dated 9th August 1875, stating that he has received memorials from certain majors of Artillery on the subject, submitting their claims to the pay of that rank in India, *App.* 117.

Newport, Major C., R.A. Communication from Major Newport, dated 18th June 1875, claiming pay in the rank of major in India from 5th July 1872 to 18th November 1875, *App.* 121.

Non-Commissioned Officers. Very similar pay of non-commissioned officers in India and in England, *Sir T. T. Pears* 1082. 1171.

P.

Parliament. Intimation made to the officers who sent in memorials that their case would be submitted to Parliament, *Radcliffe* 185——Reference to certain correspondence in 1876-77 as showing that it was promised by the India Office to submit the memorials of the officers for the consideration of Parliament, no such action having, however, been taken, *ib.* 301-306.

Statement to the effect that, in 1876, the India Office undertook to lay the memorials before Parliament, merely in compliance with an Order of the House of Commons; apparent misapprehension of the officers on this score, *Sir T. T. Pears* 1225-1230. 1235-1239.

Report, 1877—*continued.*

Parliament—continued.

Personal sympathy of witness for the officers, and of the Members generally of the Council of India, who are closely connected with officers in India; expediency on this score of the Council being supported by Parliament in its financial administration of that country, *Sir F. J. Halliday* 1305. 1310. 1388–1400.

Statement to the effect that the Indian Council would give full consideration to any recommendation by the present Committee favourable to the officers' claims, but would probably continue to resist the claims unless enforced by an Act of Parliament, *Sir F. G. Halliday* 1595–1599. 1604.

Power of the Council of India to reject any recommendations by the present Committee, an Act of Parliament alone binding them, *Lord Salisbury* 1713. 1799.

See also *Compromise.*

Pay and Allowances:

1. *Exceptions taken to the Refusal of the India Office to give increased Pay and Allowances to Majors of Artillery and Engineers in India, promoted to that Rank in July* 1872.
2. *Explanations on the part of the India Office; Sufficiency of the Pay already received by the Officers in Question.*
3. *Expectations of the Officers as to receiving the Pay of their Rank.*
4. *Increased Pay since April* 1875, *the Contract Allowances having been withdrawn.*
5. *Generally as to the Pay in India, and its Liberal Character.*

1. *Exceptions taken to the Refusal of the India Office to give increased Pay and Allowances to Majors of Artillery and Engineers in India, promoted to that Rank in July* 1872:

Submission of the applications received at the Horse Guards in 1875 to the India Office; letter, in reply, to the effect that in view of the profits from the contract allowances to certain officers of Artillery it had been decided that there was no reason for increasing their pay, *Radcliffe* 177–179——Decided opinion that the officers in question have been entitled to the pay and allowances of their rank since the issue of the Warrant by which they were promoted, *ib.* 190–196. 256–259——Grievance of majors of Artillery in India in not receiving the same pay as majors of the line, *ib.* 208. 239–246.

Circumstance of witness not having inquired into the intentions of the War Office in issuing the Warrant of July 1872; nor did he have before him the despatches of the Secretary of State for India, or of the Indian Government, before forming his opinion on the subject, *Radcliffe* 406–412. 441–454.

Conclusion that the officers should most certainly have received the pay of the rank to which they were promoted, *Sir J. Fitzmayer* 533.

Painful position of officers on promotion if not in receipt of the same pay as other officers of the same rank, *Smyth* 550–552. 555–558. 563——Decided opinion that the majors of Artillery and Engineers in India were entitled to the pay and allowances of their rank from the day of their promotion, *ib.* 556, 557.

2. *Explanations on the part of the India Office; Sufficiency of the Pay already received by the Officers in Question:*

Refusal of the India Office to give the increased pay in 1872 on the ground that the officers in question were already sufficiently remunerated for their services in India; grounds for this conclusion, *Sir T. T. Pears* 824, 825. 983–987. 1007–1010——Large remuneration of Artillery majors in 1872–75 if they had received the pay of their rank as well as the profits from the contract allowances, *ib.* 1066–1070——Various emoluments of different Artillery captains in India when the Warrant of July 1872 was issued, *ib.* 1086–1088——Conclusion further expressed that the officers in question were sufficiently remunerated by their pay as captains and the contract allowances, *ib.* 1191. 1195.

Statement as to the Duke of Argyll (as Secretary of State for India in Council) having determined, in July 1872, that there was no necessity for increasing the pay of those officers in India upon their increase of rank, *Sir F. J. Halliday* 1278–1280——Much larger pay and allowances of majors of Artillery in India than in England, though from 1872 to 1875 not equal to that of majors in the line on account of the contract and command allowances having been taken into consideration in the former case, *ib.* 1366–1371.

Further statement as to the increased pay having been refused by the India Office in July 1872, to Artillery and Engineer majors, on the ground that they were already liberally remunerated for their services; that is, including the remuneration from the contract and command allowances, *Sir F. J. Halliday* 1446–1449. 1483——Reference

PAY AND ALLOWANCES—continued.

2. *Explanations on the part of the India Office, &c.*—continued.

to the evidence before the Committee as intending to strengthen rather than to weaken the opinions formed by witness, *Sir F. J. Halliday* 1590-1592. 1605-1607.

Higher pay of a major of Horse Artillery, if the claims were granted, than of a lieutenant colonel of the same corps, *Sir F. J. Halliday*, 1609-1611——Full admission as to the value of the British army in India, though in the particular case before the Committee the value had been reached and an increase of rank and pay was unnecessary, *ib.* 1654.

Explanation with reference to the grounds upon which the India Council withheld their consent as regards the increased pay to majors of Artillery and Engineers; belief that there are one or two precedents for this refusal, *Lord Salisbury* 1724-1734. 1820-1830. 1836——Large increase in the Artillery majors' remuneration in India if the increased pay had been given in 1872, *ib.* 1805-1810.

Correspondence between the War Office, Horse Guards, and India Office relative to the arrears of pay claimed by the officers; refusal of the latter department to admit the claim in question, *App.* 117 *et seq.*——Letter from the India Office, under date 3rd August 1875, submitting reasons for not granting the claims made by certain officers, *ib.* 121, 122.

3. *Expectations of the Officers as to receiving the Pay of their Rank:*

Probable effect of witness' speech on the Estimates on 22nd February 1872 in causing senior captains of Artillery all over the world to conclude that they would receive the pay and allowances of majors in the line, *Lord Cardwell* 48-57——Reference to an erroneous interpretation put upon a former proposal by witness for raising the pay of the soldier to 1 *s.* a day, *ib.* 114-118——Business of officers in the army to understand that the pay and allowances in India rest entirely with the Secretary of State for India in Council, *ib.* 133-141. 154.

Expectation of the officers who have sent in memorials that they would in time receive the arrears claimed, *Radcliffe* 199-202. 208——Natural expectation of the majors of Artillery and Engineers that they would receive the full Indian pay of their rank, under Lord Cardwell's warrant, no exception to this rule having occurred since the transfer of the Government of India to the Queen, *ib.* 480-483. 485-489. 527, 528.

Natural inference of the Artillery and Engineer captains in India from Lord Cardwell's speech that they would receive the pay and allowances of majors in the line, *Smyth* 703-709. 719, 720. 759. 769-772.

Probability of some of the officers in question not knowing at the time that the War Office had nothing to do with the question of pay, *Sir T. T. Pears* 1200——Admission that it was not an unnatural view of the officers in assuming that the promotion would carry increased pay, *ib.* 1258, 1259.

Admission that the artillery and Engineer majors in India might naturally expect to receive the pay of their substantial rank, under the Warrant of 1872, and that possibly it might have been accorded if the preliminary consent of the Indian Council had been formally applied for, *Lord Salisbury* 1663-1665. 1777-1787. 1820-1838.

4. *Increased Pay since April* 1875, *the Contract Allowances having been withdrawn:*

Decision eventually to increase the pay, as from 1st April 1875, concurrently with a withdrawal of contract allowances, *Sir T. T. Pears* 826, 827——Opinion that the Artillery majors in India from 1872 to 1875 have no grievance through having received only the pay of captains, although they since that year, have received pay as majors, *ib.* 1208-1214.

Statement showing that the Indian Government proposed at first to give a higher rate of pay, concurrently with the abolition of contract allowances, from 1st April 1874, and afterwards from 1st April 1875, *Sir F. J. Halliday* 1566-1571——Entire justification of the course pursued in increasing the pay in 1875, the contract and other allowances having been withdrawn; indecent haste if this had been done in 1872, *ib.* 1607-1609.

5. *Generally as to the Pay in India, and its Liberal Character:*

Increased pay and allowances received by officers when on the Indian establishment, the pay and allowances in India not being regulated by Royal Warrant, Lord *Cardwell* 105-107——Liberal pay and allowances in India to officers of the British army as compared with the allowances in any of the colonies, *ib.* 157-163.

Facility of supplying exact information as to the former and present amount of pay and allowances of captain and majors of Artillery, *Radcliffe* 321-323. 331-335——Doubt whether the extra pay of majors of Artillery, together with the contract allowances, would amount to more than the pay of a lieutenant colonel, *ib.* 324, 325. 385——Question considered as to the expediency of majors of Artillery receiving in pay and compensation for contract allowances more than lieutenant colonels, *ib.* 401-405.

Exceptional

Report, 1877—*continued.*

PAY AND ALLOWANCES—continued.

5. *Generally as to the Pay in India, and its Liberal Character*—continued.

Exceptional instances of majors having higher pay than lieutenant-colonels, as when holding staff appointments, *Smyth* 587–591 ——Large difference between the pay and batta of a major and of a captain of Horse-Artillery, *ib.* 705, 706.

Much higher rate of officers' pay in India than of British pay; examination hereon as to the numerous expenses which have to be covered by the pay in India, *Sir T. T. Pears* 865–868. 870. 1082–1085——Difficulty in separating the British pay in India and the Indian allowance, *ib.* 897–899——Similar pay on the whole of officers as in former years, *ib.* 943–945.

Further statement as to the much higher pay of Artillery officers in India than in England or elsewhere; several deductions, however, in India which do not apply in England, *Sir T. T. Pears* 1158–1163. 1172–1182.

Question whether in former years the Government of India did not on more than one occasion give an increase of pay to officers and men of the British army in India, *Sir F. J. Halliday* 1502–1507——Much more liberal pay of majors of Artillery in India than if the pay were regulated by Royal Warrant, *ib.* 1559–1564.

Similar pay of officers as in the time of the East India Company; apprehension lest the Government of India may be forced to reduce the pay, which is much higher than in China, Ceylon, or elsewhere, *Sir F. J. Halliday* 1655–1657.

Consideration of the pay of Artillery captains in India and England respectively, in connection with the question before the Committee, *Lord Salisbury* 1667–1669. 1734–1738. 1763. 1769——Regulation of the pay of the Indian officers by General Orders subject to approval by the Council of India; probability, however, of alterations of pay in former times by means entirely of Royal Warrants, *ib.* 1685–1690. 1716–1723.

See also *Army Organisation. Batta. Ceylon. Command Pay and Allowances. Commander in Chief. Compromise. Contract Allowances. Duties. East India Company. Expenditure. India Office. Indian Government. Memorials and Complaints. Precedents. Royal Warrants. Soldiers' Pay. War Office.*

Pears, Sir Thomas T., K.C.B. (Analysis of his Evidence.)—Experience of witness as secretary to the Military Department in the India Office from July 1861 to January 1877; previous service for thirty-five years in India, 777–779. 1071, 1072——Consideration of certain evidence of Lord Cardwell before the Select Committee on East India Finance in 1874, with reference especially to an alternative proposal by witness in 1872 for giving brevet rank, on certain conditions, to first captains of Artillery in India, in lieu of substantive promotion to the rank of major, 780–786——Due care taken by witness in his communications with the Secretary of State for War, in 1872, to explain that he in no wise gave the opinion of the Council of India, 783.

Conclusion as to Lord Cardwell having been under the impression in 1872, that the Artillery contract allowances would be withdrawn, though it was not his intention, nor was it in his power, in any way to pledge the Government of India as to the majors of Artillery and Engineers receiving increased pay, 787–792——Dissent from the view that grievance is necessarily involved in promotion not carrying increased pay; instances in illustration, 793–799. 840–842. 889–894. 1145, 1146——Receipt of majors' pay by some lieutenant colonels of Artillery and Engineers up to 1872; 796–798. 1145.

Belief that Lord Cardwell was warned by witness before the issue of the Warrants in July 1872, that the Council of India would probably object to increase the pay of the officers in question, 800–804. 817——Statement to the effect that the Indian Council was never consulted before the issue of the Warrants, although there may have been frequent communication between Lord Cardwell and the Duke of Argyll, 803–816——Dissent from the view that the division of the Artillery majors' pay by Lord Cardwell into two sums was done with the direct object of facilitating subsequent action on the part of the Secretary of State for India in giving the same pay as to majors of the line; facility given by this course to any re-arrangement of pay which the Secretary of State might adopt, 817–823. 979–982. 1147. 1151.

Refusal of the India Office to give the increased pay in 1872, on the ground that the officers in question were already sufficiently remunerated for their services in India, 824, 825——Decision subsequently to increase the pay concurrently with a withdrawal of contract allowances, 826, 827——Invidious distinction if the increased pay had been given to the officers having contracts and not also to those commanding garrison batteries, 829–831——Question considered as to the number of Artillery and Engineer captains already having brevet rank at the time that witness suggested to Lord Cardwell that brevet instead of substantive rank should be given, 832–839.

Examination to the effect that there have been several instances of Royal Warrants, improving the position of non-commissioned officers and men, which have not been recognised in India, 843–860——Circumstance of the draft Warrant of 1867 giving the increase of 2 *d.* a day to the soldier not having been formally communicated to the India Office;

Report, 1877—*continued.*

Pears, Sir Thomas T., K.C.B. (Analysis of his Evidence)—*continued.*

Office; explanation hereon, 849-854——Much better position formerly of the British soldier in India than elsewhere, so that it was not necessary for the India Office to consider the warrants issued in England for improving his position, 853. 857. 860.

Understanding that Warrants regulating the pay of British officers have always excluded India from their operation, 861-864. 1065——Higher rate of officers' pay in India than of British pay; examination hereon as to the numerous expenses which have to be covered by the pay in India, 865-868. 870——Extent to which the military authorities interfered as to officers' pay in India in the time of the Board of Control, 869. 873, 874——Dissent from the view that the Governor General, according to a certain letter of 19th January 1875, considered that officers on full majors' pay in India were, in reality, no better off than their brother officers in India; reference had by this letter merely to the rate of command pay, 870-872.

Anxious desire at all times of the Indian Government to place all classes of troops in India on an equitable footing, 875, 876——Further statement on the subject of certain lieutenant colonels of Indian Artillery and Engineers having formerly received only majors' pay, 877-885. 965-968—— Improved position of British troops in India in so far as half batta within 200 miles of presidency towns has been replaced by full batta, 886-888.

Statement as to certain pay being given to brevet rank unner the War Office Warrants which is not given in India, 889-894——Circumstance of British officers or soldiers in India not having claim to pay save under Warrant, 895, 896——Difficulty in separating the British pay in India and the Indian allowance, 897-899——Distinction between command pay at home and in India; allowance of 1 *s.* 6 *d.* a day in India to each officer in command of a battery, 900, 901——Dissent from the opinion of the Income Tax Commissioners that the command pay is part of the *bonâ fide* pay, 902-905.

Adherence of witness to certain evidence which he gave before the Select Committee on East India Finance to the effect that the India Office cannot interfere with the military organisation of the British army, 906——Inability of the Secretary of State for India to deal with any matter relating to finance irrespectively of the Council, 909, 910 ——Belief as to the contract system in the Artillery having been very profitable to the officers; exception in time of war, 911-914.

Examination upon the question whether the contract system was not ordered by the Secretary of State for India in 1862 to be continued, though influential objections had been made to it, 917-935——Doubt whether there is any economy to Government by taking over the contracts, 936——Approval of the contract system on several grounds; efficiency of the services rendered by the officers, 937. 1017.

Satisfactory working of the former system of allowances to officers in the Madras army for saddlery and harness, 938-942——Similar pay, on the whole, of officers as in former years, 943-945——Doubt as to any officer of the British army in India having ever received less pay than an officer of the same rank in the Indian army, 946-948. 956.

Further statement as to brevet majors of the British army in India having received only the pay of captain, 949-954——Liberal pay and allowances given in the Indian army, so that there was no question of applying Royal Warrants; absence, however, of any power in the War Office to enforce their Warrants in India, 956-959——Question whether the pay and allowances of veterinary surgeons of the English army in India were not based upon Royal Warrant, 960, 961.

Examination with reference to the extent of interference of the Secretary of State for War in 1840-41, in reference to the pay of the British soldier in India; belief that no increase was then made, 969-978——Further statement that it was cousidered that the Artillery majors in question were sufficiently remunerated, no extra duties being thrown upon them, 983-987. 1007-1010——Question considered as to the amount of objection on the score of expense made on the part of India to different changes by the War Office in the organisation of the army, 985-995.

Statement as to the Government of India having complied with the Warrant of 1872 in directing that all lieutenant colonels of Artillery then in India on major's pay should receive the pay and allowances of their rank, 996-1006——Argument that it is perfectly fair to consider the profit from the contract allowances as part of the officers' remuneration, though it is not technically in the nature of pay, 1009, 1010. 1019. 1183, 1184—— Efficient duties performed by the officers under the contracts, 1011. 1017-1022.

Difficulty in calculating what saving, if any, Government may effect by taking over the contracts, 1023-1025. 1186, 1187——Further statement as to the large amount of profit made by the officers; reduced profits in recent years owing to the increase of prices, 1026-1030. 1039-1052. 1068-1070. 1089-1092. 1095——Doubt as to witness having over-estimated in computing that 120 first captains were affected by the promotion under the Warrant of July 1872; data for the calculation that the increase of pay would have been 420 *l.* in each case, 1031-1038. 1148-1150. Belief

Report, 1877—*continued.*

Pears, Sir Thomas T., K.C.B. (Analysis of his Evidence)—*continued.*

Belief further expressed that there was no official communication between the War Office and India Office before the decision of the former as to the promotion given by the Warrant of July 1872; 1053-1058. 1196, 1197——Full opportunity given, as a rule, for consulting the Government of India before changes of military organisation are made by the War Office; reference hereon to the course pursued in proposing the increase of 2*d.* a day to the soldier's pay, 1059–1064——Large remuneration of Artillery majors in 1872–75 if they had received the pay of their rank as well as the profits from the contract allowances, 1066–1070.

Entire control of the War Office over the discipline of the army in India, 1073—— Entire control of the Council of India in all matters of expenditure, 1073–1078—— Similar pay of the soldiers in India and in England, there being, however, certain advantages as to rations, &c. in India, 1079–1081. 1152. 1164–1170——Very similar pay of non-commissioned officers in India and in England, 1082. 1171——Much higher pay of officers in India, 1082–1085.

Varying emoluments of different Artillery captains in India when the Warrant of July 1872 was issued, 1086–1088——Special command allowance of 250 rupees a month given to some officers in command of heavy field batteries, as not having contract allowances, 1089–1091. 1114——Expected claim for compensation if the allowances had been withdrawn without increase of pay, 1098, 1099.

Examination in further reference to the communications between Lord Cardwell and the India Office, relative to the promotion in the Artillery, and the expense involved, witness submitting that the India Office never held out any expectation before the issue of the Warrant as to increased pay, and that Lord Cardwell had no reason to rely upon such increase being given, 1096–1111. 1291, 1292——Circumstance of the War Office not having taken exception to the letter from the India Office of 11th July 1872, stating that it was not proposed to give any increased pay, 1107–1109——Justification of the course pursued by the Indian Office upon the occasion of the issue of the Warrant in India as well as previously, 1112–1116.

Explanation of the action of the India Office in dealing with the memorials received from the officers who considered themselves aggrieved, 1117–1122. 1203–1207—— Information required by the India Office from the Government of India, as to the financial effect of a withdrawal of the contract allowances concurrently with an increase of pay; action eventually taken to this effect as from 1st April 1875; 1123–1127.

Denial that the Indian Government have in any of their Despatches favoured the claims of the officers, 1128–1133——Circumstance of Artillery majors in England not receiving as much pay as majors of the line, under the warrant of July 1872; 1134–1136——Comment upon the objection raised by the War Office on the score of Imperial expense, to the decision of the India Office, to give increased pay to Artillery majors in India from April 1875; correspondence hereon between the War Office and India Office, 1137–1142. 1251.

Dangerous and unconstitutional principle if it were admited that a Royal Warrant issued in England would carry with it Indian allowances, 1142–1144. 1191——Further statement as to the much higher pay of Artillery officers in India than in England or elsewhere; several deductions however in India, which do not apply in England, 1158–1163. 1172–1182——Doubt as to Government gaining in point of economy or efficiency by taking over the contracts, 1185–1188——Less profit from the contracts in time of long marches or active service, 1189, 1190.

Conclusion that the officers in question were sufficiently remunerated by their pay as captains and the contract allowances, 1191. 1195——Explanation with further reference to the proposal made by witness for giving brevet rank to the Artillery captains, 1192–1195.——Difficulty in avoiding disputes between the War Office and India Office upon financial questions arising out of army organisation, 1199.

Probability of some of the officers in question not knowing at the time that the War Office had nothing to do with the question of pay, 1200——Opinion that the Artillery majors in India from 1872 to 1875, have no grievance through having received only the pay of captains, although those since that year have received pay as majors, 1208–1214.

Explanation as to the circumstances under which a letter from the Horse Guards to the India Office, enclosing representations from the officers in India, was returned through witness without an answer, as not having come through the War Office, 1215–1218. 1224—— Communications sent from the India Office to the War Office to the effect that the decision not to pay the arrears claimed must be adhered to; letters to a similar effect to the Horse Guards in August 1875; 1218–1224. 1231, 1232.

Statement to the effect, that in 1876, the India Office undertook to lay the memorials before Parliament, merely in compliance with an Order of the House of Commons; apparent misapprehension of the officers on this score, 1225–1230. 1235–1239——Explanation as to the India Office having stated in July 1876, that a memorial from Major

Report, 1877—*continued.*

Pears, Sir Thomas T., K.C.B. (Analysis of his Evidence)—*continued.*

Manderson, then at home on leave from India, should have been first referred to the authorities in India, 1233, 1234——Inability of witness to offer any explanation respecting a memorial from Lieutenant Colonel Purvis to the Queen, sent by the Government of India to the India Office, 1240-1244.

Objections made by the Artillery officers in India to the contract system when it was proposed by the Government to take over a portion of the contracts, 1245-1250——Statement to the effect that the promotions to the rank of major were made through the "London Gazette," rather than through the Warrant of July 1872; 1252–1256——Effect of the Warrant as regards pay in England but not in India, 1257——Admission that it was not an unnatural view of the officers in assuming that the promotion would carry increased pay, 1258, 1259.

Precedents. Doubt as to there being any other instances of promotion by Royal Warrant, besides that before the Committee, of officers in India without their receiving the equivalent allowances of their rank, *Lord Cardwell* 169——Invariable practice, in witness' experience, of giving increased pay to officers on receiving substantive promotion, *Smyth* 547.

Dissent from the view that grievance is necessarily involved in promotion not carrying increased pay; instances in illustration, *Sir T. T. Pears* 793–799. 840–842. 889–894. 1145, 1146——Statement as to certain brevet majors of the British army in India having received only the pay of captains, *ib.* 889–894. 949–954——Doubt as to any officer of the British army in India having ever received less pay than an officer of the same rank in the Indian army, *ib.* 946–948. 955.

Mention of two cases as precedents for not giving increase of pay upon promotion to a higher rank, *Sir F. G. Halliday* 1286, 1287. 1483——Expediency of each case being judged on its own merits, witness further contending that the claims in the case now before the Committee should not be granted, *ib.* 1486–1491.

See also *First Lieutenants. Lieutenant Colonels.*

Press, The. Decided approval of a rule prohibiting military officers from communicating their grievances to the press, *Sir F. G. Halliday* 1435. 1437.

See also *Buckle, Major C. R.*

Promotion. See *Brevet Rank. Majors. Pay and Allowances. Precedents. Royal Warrants. War Office.*

Purvis, Lieutenant Colonel, H. M. G., R.A. Inability of witness to offer any explanation respecting a memorial from Lieutenant Colonel Purvis to the Queen, said to have been sent by the Government of India to the India Office, *Sir T. T. Pears* 1240–1244.

Letter from Lieutenant Colonel Purvis to the War Office, dated 2nd June 1875, submitting his claim to the pay of the rank of major whilst serving in India in that rank, from 5th July 1872 to 31st October 1874, *App.* 120.

R.

Radcliffe, Colonel R. P., R.A. (Analysis of his Evidence.)—Is Deputy Adjutant General of Artillery at the Horse Guards, 170——Frequent applications received at the Horse Guards from Artillery and Engineer officers, since June 1875, claiming arrears of pay from the Government of India; previously to June 1875 no memorials on the subject ever reached the Horse Guards, 171–177. 197, 198——Submission of the applications received in 1875 to the India Office; letter in reply to the effect that in view of the profits from the contract allowances to certain officers of Artillery, it had been decided that there was no reason for increasing their pay, 177–179.

Communication from the Commander in Chief in India to the Horse Guards in August 1875, submitting the claims of certain Artillery officers in India to the pay and allowances of the rank of major, 180–182——Statement on the part of the India Office that any applications should be made direct to the authorities in India, 183, 184——Intimation made to the officers that their case would be submitted to Parliament, 185——Omission on the part of the India Office to make any direct or satisfactory reply to the officers' applications; undue delay in this respect, 186–189. 209–211. 217–220.

Decided opinion that the officers in question have been entitled to their pay and allowances of their rank since the issue of the Warrant by which they were promoted, 190–196. 256–259——Expectation of the officers that they would, in time, receive the arrears claimed, 199–202. 208.

Exception taken to the alteration of the pay and allowances as made in consideration of the contract allowances being abolished, whereas the latter had nothing whatever to do with the former, 203–205. 256–258——Establishment of the contract allowances in the Artillery for the convenience and economy of the Government, 204. 256.

Profit made by the officers out of the contract allowances in some cases but not in others; belief that in most cases the allowances were beneficial, 206, 207. 212–215. 230. 251–253. 255. 257——Grievance to majors of Artillery in India in not receiving the same

pay

Report, 1877—*continued.*

Radcliffe, Colonel R. P., R.A. (Analysis of his Evidence)—*continued.*

pay as majors of the line, 208. 239–246——Disapproval of the system of contract allowances, 216.

Duties performed by the officers in return for the contract allowances, such duties not having been confined to first captains of Artillery, 221–229. 247——Circumstance of first captains not in command of batteries not having had contract allowances, 231–234. 254——Doubt as to the pecuniary result to the Government of India by directly performing the duties formerly rendered by officers of Artillery in return for the contract allowances, 247–250.

Statement to the effect that witness represents the Horse Guards and the Commander in Chief in urging the claims of the officers to the arrears of pay; he has no authority to speak for the Secretary of State for War, 260–265. 268–271——Reference to a memorandum prepared by witness, and approved by the Commander in Chief in reply to the decision of the India Office that the officers were sufficiently remunerated by means of the contract allowances, 265–267.

[Second Examination.] Further explanation that witness represents the opinions of the Commander in Chief on the question before the Committee, but does not in any way represent the Secretary of State for War, 272. 309–311. 367, 368, 440. 455–466. 484.

Witness produces the memorandum submitted by him in July 1875 to the Commander in Chief, and approved by the latter, for submission to the Secretary of State for India, 273–276——Communications from the Horse Guards to the India Office in November 1875, enclosing letter from the Commander in Chief in India, of 19th August 1875, with reference to the memorials of certain artillery officers relative to the arrears of pay, 276——Circumstance of a letter from the Commander in Chief in India, dated 18th February 1875, submitting certain memorials, having never reached the Horse Guards, 276–278.

Letter from the Governor General of India in Council to the Secretary of State for India, dated 15th May, submitting that it would be expedient to grant the higher rates of pay to majors of Artillery and Engineers, and to withdraw the contract allowances for repairs of artillery carriages, harness, &c., 279, 280. 283.

Further letter from the Governor General in Council, dated 17th April 1874, submitting explanations relative to the profit made out of the system of contracts, and the probable net cost by increasing the pay and withdrawing or revising the contract allowances, 281, 282——Conclusion arrived at in the foregoing letter that the increase of expenditure is necessary, and that the officers naturally look to receive the pay of their rank, 282——Information based on the accounts in India as to the actual loss suffered by first captains of Horse and Foot Artillery in 1872–74 through not receiving the pay of majors in the line, 284–289.

Statement as to second captains of British Artillery in India having, in 1858, received the pay and allowances of captains, 290–293——Creation formerly of second captains in the Indian Artillery after the precedent of the Royal Artillery, 294–296.

Long interval without any decision on the part of the India Office as to the claims in question; letter on 23rd July 1875 to the effect that the claims would not be granted, 297–300——Reference to certain correspondence in 1876–77 as showing that it was promised by the India Office to submit the memorials of the officers for the consideration of Parliament; no such action having, however, been taken, 301–306.

Further expression of the opinion that the contract allowances to officers of the Artillery were, on the whole, profitable to them, 307, 308. 316–320. 358. 427–430——Amount of time and trouble necessarily involved in performing the duties for which the allowances were made, 312–315. 326–330. 362, 363——Facility of supplying exact information as to the former and present amount of pay and allowances of captains and majors of Artillery, 321–323. 331–335——Doubt whether the extra pay of majors of Artillery, together with the contract allowances, would amount to more than the pay of a lieutenant colonel, 324, 325. 385.

Dissent from a statement as to the officers having on several occasions preferred to be without the contract allowances on account of the trouble and the unremunerative prices, 336, 337. 353–357——Information as to the number of field, horse, and garrison batteries in India in July 1872, and at the present time; belief as to there having been only seventy-six first captains in actual command of batteries in February 1872; 338–347. 422, 423——Question considered whether there is not much exaggeration in a statement on the part of the India Office in February 1872, that the increase of pay in question would apply to 120 officers, and would be about 420 *l.* a year in each case, or a total of 50,000 *l.*, 344–352. 422–426.

Claim to the arrears of pay, irrespectively of the contract allowances, 359, 360——Better position of the officers who had the allowances, if they get the arrears of pay, than of officers since the abolition of the former, 361.

Report, 1877—*continued.*

Radcliffe, Colonel R.P., R.A. (Analysis of his Evidence)—*continued.*

Probability of the delay in connection with the officers' memorials having arisen through these having been accidentally forwarded to the Secretary of State for India, whose province it was not to deal with them, 364-366——Examination upon the question whether the letters from the Government of India in May 1873 and April 1874, do not, in recommending an increase of pay, stipulate at the same time for a withdrawal of the contract allowances, 370-379.

Circumstance of the Royal Warrant of July 1872 having prescribed that first captains of Artillery should not receive the pay of majors unless when in command of a battery, such command representing an extra 1 *s.* 6 *d.* a day, 380-383——Reiteration of the opinion that the contract allowances are altogether separate from the pay, and should not be taken into consideration in fixing the latter, 384-405. 427-431.

Statement on the subject of the compensation of 250 rupees a month given to officers commanding elephant batteries in the absence of contract allowances, 386-396. 437-439——View of the Indian Government as to the important profit from the allowances, save in time of active service, 397-400——Question considered as to the expediency of majors of Artillery receiving in pay and compensation for contract allowances more than lieutenant colonels, 401-405.

Circumstance of witness not having inquired into the intentions of the War Office in issuing the Warrant of July 1872; nor did he have before him the Despatches of the Secretary of State for India, or of the Indian Government, before forming his opinion on the subject, 406-412. 441-454——Statement in regard to the promotion several years ago, of several majors of Indian Artillery to the rank of lieutenant colonel without receiving the pay of the latter rank; important distinction between the case of these officers and that now before the Committee, 413-420. 509-515.

Conclusion that the officers, if deprived of the contract allowances in 1872, would not have had any ground of complaint, 432-436——Belief that the officers in command of garrison batteries before 1872 received not only contract allowances, but command allowance, 437-439——Admission that the Indian Government never undertook to give majors' pay, or promised anything which they have withheld, 467-476.

Receipt of 1 *s.* 6 *d.* a day extra by first captains of Artillery and Engineers elsewhere than in India, if in command of a battery; that is, upon the issue of the Warrant of July 1872; 477-479——General expectation of the officers in question that they would receive the Indian pay and allowances of the substantive rank under the Warrant, 480-483. 485-489——Belief that the Commander in Chief held the same opinion as the foregoing, 484.

Argument in further support of the conclusion that the contract allowances formed no part of the pay, and were in fact in the nature of a contract for the performance of certain work, 490, 491. 496-507——Profit from the allowances as a rule, though witness submits that the Government was also a gainer by the arrangement, 492-495. 503-507.

Limited personal experience of witness as to the contract allowances, he having been only one year in India; he never heard that commanders of batteries were, as a body, strongly opposed to the continuance of the contracts, 514-516——Postponement of action as to the contract allowances from 1872 to 1875, witness submitting that the officers who received them should be liberally dealt with as to pay, 517-519.

Despatch from Lord Salisbury in July 1874 adverted to as admitting the right of appeal in officers of the English army in India to the Horse Guards or War Office, upon questions of pay, &c., 520——Good claim of the officers in command of elephant batteries to the extra allowance of 250 rupees a month, 523-526.

Natural expectation of the majors of Artillery and Engineers that they would receive the full Indian pay of their rank under Lord Cardwell's Warrant, no exception to this rule having occurred since the transfer of the Government of India to the Queen, 527, 528.

Re-appointment of Committee. Inability of the Committee to conclude their investigation in the present Session; recommended re-appointment next Session, *Rep.* iii.

Ritchie, Major R., R.A. Communication from Major Ritchie, dated 7th June 1875, setting forth his claim to the pay of the rank of major in India, from 5th July 1872 to 22nd May 1873, and from 11th March 1874 to 24th November 1874, *App.* 121.

Royal Warrants. Examination to the effect that there have been several instances of Royal Warrants, improving the position of non-commissioned officers and men, which have not been recognised in India, *Sir T. T. Pears* 843-860——Understanding that Warrants regulating the pay of British officers have always excluded India from their operation, *ib.*

Royal Warrants—continued.

861–864. 1065—— Circumstance of British officers or soldiers in India not having claim to pay save under Warrant, *Sir T. T. Pears* 895, 896.

Liberal pay and allowances given in the Indian Army, so that there was no question of applying Royal Warrants; absence, however, of any power in the War Office to enforce their Warrants in India, *Sir T. T. Pears* 956–959——Circumstance of Artillery majors in England not receiving as much pay as majors of the line under the Warrant of July 1872, *ib.* 1134–1136.

Dangerous and unconstitutional principle if it were admitted that a Royal Warrant issued in England would carry with it Indian allowances, *Sir T. T. Pears* 1142–1144. 1191——Effect of the Warrant of July 1872 as regards pay in England but not in India, *ib.* 1257——Claim made by the Artillery majors to an increase of pay from the date of issue of the Royal Warrant; fallacy in founding such a claim upon the Warrant, *Sir F. J. Halliday* 1571–1576.

Despatch from the Duke of Argyll to the Government of India, under date 18th July 1872, notifying the steps to be taken in India with reference to the Royal Warrants making changes in the organisation of the Artillery and Engineers, *App.* 123.

Correspondence between the India Office and War Office in February, June and July 1872, relative to the Warrants in question; also, copies of the Warrants, as proposed by the Secretary of State for War, *App.* 123-128.

See also *Command Pay. Contract Allowances. India Office. Pay and Allowances. Staff Corps. Veterinary Surgeons. War Office.*

S.

Salisbury, The Most Honourable the Marquess of. (Analysis of his Evidence.)—Concurrence in the evidence of Sir Frederick Halliday as to the Council of India not being in any way bound by communications between the Duke of Argyll, as Secretary of State for India in 1872, or Sir Thomas Pears, and the War Office, in reference to the pay of Artillery and Engineer majors in India, 1658–1660——Natural jealousy on the part of the Indian Council of any interference of the Imperial Government in the disposal of the revenues of India, 1661–1674. 1751–1753. 1789–1792. 1799, 1800.

Entire agreement between witness and the Council as to the officers' claims being without any equitable validity, 1662. 1681–1683. 1797, 1798——Anxiety, however, of witness to avoid a collision with the House of Commons, so that he proposed to the Council that the claims should be compromised; majority of eight to four against this course, 1662. 1676–1680. 1710–1712. 1762–1767. 1773–1775. 1788–1793——Admission that on a review of the action of the War Office and of all the circumstances of the case, the complaints of the officers are exceedingly natural from their own point of view, 1663–1665. 1777–1787. 1820–1831. 1841, 1842.

Belief that no extra duties were placed upon the officers on their promotion to the rank of major, entitling them to any increase of pay, 1666. 1830——Consideration of the pay of Artillery captains in India and England respectively, in connection with the question before the Committee, 1667–1669. 1734–1738. 1768, 1769.

Misfortune in Lord Cardwell not having had a clear understanding with the Duke of Argyll and the India Office before the issue of the Warrant of July 1872, so as to obviate any military discontent or injury to discipline, 1670–1672. 1750. 1776. 1841.

Moral pressure upon the Government of India to accommodate themselves to the arrangements of the Imperial Government and of the War Department in matters of military organisation, 1673–1675. 1724——Great importance, however, of maintaining the principle that the Imperial Government cannot place a charge upon the taxpayers of India, as by means of Royal Warrants, without the formal consent of the Indian Council, 1674, 1675. 1715. 1751. 1759–1767. 1789–1795. 1799, 1800. 1838.

Opinion that a compromise can best be carried out by the claims in question being paid by the Imperial Government, 1683, 1684. 1696. 1774. 1787–1793——Regulation of the pay of Indian officers by general orders, subject to approval by the Council of India; probability, however, of alterations of pay in former times by means entirely of Royal Warrants, 1685–1690. 1716–1723——Special agreement as to the payment by India for the 62,000 troops of the Imperial Government in India, 1691, 1692. 1699.

Expediency of a complete understanding between the Imperial Government and the Council of India so as to obviate any disputes in future in connection with questions of pay, &c., in India; prospect of a satisfactory arrangement being soon arrived at, 1693–1698. 1794. 1818, 1819——Increased charge to India by the operation of the short-service system, as introduced for Imperial purposes, 1700, 1701——Doubt as to the War Office having proposed any military changes tending to lessen the charge upon India, 1702.

Report, 1877—*continued.*

Salisbury, the Most Honourable the Marquess of. (Analysis of his Evidence)—*continued.*

Power of the India Office to require full time for consideration before sanctioning alterations as to pay; question hereon whether sufficient time was given before sanctioning the increased pay of 2 *d.* a day to the soldier, 1703–1709——Power also of the Council of India to reject any recommendations by the present Committee, an Act of Parliament alone binding them, 1713. 1799.

Explanation with further reference to the grounds upon which the Indian Council withheld their consent as regards the increased pay to majors of Artillery and Engineers; belief that there are one or two precedents for this refusal, 1724–1734. 1820–1830. 1836——Difficulty in calculating whether economy will accrue to the Government of India through taking over the contracts from the officers, 1739–1742.

Expediency of memorials from officers as regards pay going through the Government of India to the Secretary of State for India; belief that in the present case there has been no neglect at the India Office in this respect, 1743–1749.

Statement to the effect that the increase of Artillery majors' pay from April 1875, the contract allowances having been withdrawn, was a politic concession; exception taken to the view that such concession should be extended so as to embrace the claims from 1872 to 1875; 1754–1758. 1773. 1801–1804. 1832–1840——Absence of power in the Governor General in Council to sanction alterations in pay, though his recommendations on the subject would carry great influence, 1770–1772——Objection by witness to disclose the nature of the compromise suggested by him to the Indian Council, 1774, 1775. 1796.

Large increase in the Artillery majors' remuneration in India, if the increased pay had been given in 1872; 1805–1810——Scant financial resources of India, so that it is the more essential to vigilantly watch the expenditure, 1810–1813——Difficulties in the way of a lump payment by India for its entire share of the military charges, 1814–1818.

Further admission that the Artillery and Engineer majors in India might naturally expect to receive the pay of their substantive rank, under the Warrant of 1872, and that possibly it might have been accorded if the preliminary consent of the Indian Council had been formally applied for, 1820–1838.

Second Captains (*Artillery*). Statement as to second captains of British Artillery in India having in 1858 received the pay and allowances of captains, *Radcliffe* 290–293——Creation formerly of second captains in the Indian Artillery after the precedent of the Royal Artillery, *ib.* 294–296.

Short Service System (*British Army*). Increased charge to India by the operation of the short-service system, as introduced for Imperial purposes, *Lord Salisbury* 1700, 1701.

Smyth, Major General, J. H., C.B. (Analysis of his Evidence.)—Long experience of, witness in India, where he has seen much active service, 535——Inquiry made in Lord William Bentinck's time by an Artillery Committee into the system of contracts for the maintenance of harness, &c.; decision that the system was economical to the Government, and was also advantageous as throwing responsibility on the officers, 535. 594 596. 614–628——Existence of the system since 1809; 535. 568——Obligation upon the officers to undertake the duties in question; reference hereon to orders of the Governor General in 1817 and 1842, showing the duties imposed, 536–538. 540.

Economy to Government under the contract system as enabling them to largely dispense with magazines, 539. 543. 559, 560——Profit made by witness ont of the allowances, save in one year; profit of about twenty-five per cent. made generally by the officers if good men of business, 540. 561–567. 572–576. 603–613——Statement that the allowances were never considered part of an officer's income, 541. 564, 565. 589——Receipt of command allowances irrespectively of contract allowances, 541, 542——Circumstance of the Government of India in Lord Canning's time having maintained the contract system, although Sir George Barker reported strongly against it, 544–546. 594–598. 637–642.

Invariable practice, in witness' experience, of giving increased pay to officers on receiving substantive promotion, 547——Liberal practice formerly of the East India Company in the grant of allowances, so as to equalise the position of their own officers and of the Queen's officers, 548, 549. 695–698——Painful position of officers on promotion if not in receipt of the same pay as other officers of the same rank, 550–552. 555–558. 563——Statement as to a War Office Committee in 1872 having proposed that officers commanding regiments and batteries should take contracts for certain supplies, 552–554. 569–571.

Decided opinion that the majors of Artillery and Engineers in India were entitled to the

Report, 1877—*continued.*

Smyth, Major General, J. H., C.B. (Analysis of his Evidence)—*continued.*

the pay and allowances of their rank from the day of their promotion, 556, 557——Absence of any analogy between the case of the officers in question and that of the majors of the old Indian army, promoted in 1858 to the rank of lieutenant colonel, 577-586——Exceptional instances of majors having higher pay than lieutenant-colonels, as when holding staff appointments, 587-591.

Further evidence relative to the advantage of the contract system as giving Artillery captains a personal interest in the condition of their batteries, and as productive of economy to Government; doubt, however, whether on the whole the abolition of the system was unwise, 592, 593. 597-602. 614-636. 643-645. 715——Onerous duties and responsibilities of the captains who had the contracts; great pains taken with the batteries when on the march and in bad weather, 599. 611-613. 632-636. 652. 665, 666. 683——Illustration of the efficiency of the check upon negligent performance of the contracts, 627. 710, 711——Doubt as to Government saving anything by taking over the contracts, though the facilities for the conveyance of stores are now very great, 629-631. 674-676.

Admission as to the handsome remuneration of the officers who had the allowances; benefit at the same time to the Indian Government, 643-654. 661-664——Statement in further support of the conclusion that the allowances were for work done, and had nothing to do with the pay, and form no good reason for withholding the increase of pay in the case before the Committee, 655-699. 687-702. 712-714. 734-742——Estimate of about 300 *l.* a year made by witness out of the allowances when in charge of a troop of horse artillery, 664.

Abolition many years ago of the colonels' off-reckonings in India, an allowance having been made in lieu thereof; this case is not analogous to that before the Committee, 667-673, 728-733. 745-748. 773, 774——Inducement to economy when the officers were responsible under the contracts, 676, 743, 744——Dissent from the conclusion that if the contract system had been abolished (without increase of pay) compensation would have been claimed, though command pay would probably have been expected, 677-682. 687-694——Circumstance of Sir George Barker having proposed an allowance in lieu of the contract system, 678-681.

Concurrence in the view that it is most essential that the Indian Government should check the growing expenditure of India as much as possible; great increase since the time of the East India Company, 684-686. 716-718——Natural inference of the Artillery and Engineer captains in India, from Lord Cardwell's speech, that they would receive the pay and allowances of majors of the line, 703-709. 719, 720. 759. 769-772——Large difference between the pay and batta of a major, and of a captain of Horse Artillery, 705, 706.

Anomaly if an Artillery major in Madras were to receive only captain's pay, whilst a major in Ceylon would be receiving his proper pay, 721——Larger payment, doubtless, of British officers in India than in Ceylon; colonial allowances in the latter case, 722-727.

Opinion that any memorials from officers in India should first be sent to the Commander in Chief in India, the latter being responsible to the Governor General, 749-758. 764-768——Great depreciation in the value of money in India between 1832 and 1872, whilst the contract allowances remained unaltered, 760-763——Considerable loss to officers by taking away the batta allowance, and leaving the pay as it is, 775, 776.

Soldiers' Pay. Circumstance of the draft Warrant of 1867 giving the increase of 2 *d.* a day to the soldier not having been formally communicated to the India Office; explanation hereon, *Sir T. T. Pears* 849-854——Much better position formerly of the British soldier in India than elsewhere, so that it was not necessary for the India Office to consider the Warrants issued in England for improving his position, *ib.* 853. 857. 860.

Examination with reference to the extent of interference of the Secretary of State for War in 1840-41, in reference to the pay of the British soldier in India; belief that no increase was then made, *Sir T. T. Pears* 969-978——Full opportunity given, as a rule, for consulting the Government of India before changes of military organisation are made by the War Office; reference hereon to the course pursued in proposing the increase of 2 *d.* a day to the soldier's pay, *ib.* 1059-1064——Similar pay of the soldier in India and in England, there being, however, certain advantages as to rations, &c., in India, *ib.* 1079-1081. 1152-1164. 1170.

Impression that the Government of India were consulted with reference to the additional 2 *d.* a day given to the soldier, which involved an estimated cost of 250,000 *l.* a year to India, though the actual cost may not have been nearly so much; *Sir F. J. Halliday* 1427-1431. 1520-1523. 1641-1643.

Report, 1877—*continued.*

Soldiers' Pay—continued.

Power of the India Office to require full time for consideration before sanctioning alterations as to pay; question hereon whether sufficient time was given before santioning the increased pay of 2 *d.* a day to the soldier, *Lord Salisbury* 1703-1709.

Staff Corps. Explanation of the circumstances under which the sanction of the Indian Council was given to the expenditure involved in the Warrant establishing the Staff Corps, *Sir F. J. Halliday* 1577-1582.

Straits Settlements. Effect of regulating the pay and allowances in the Straits Settlements by Royal Warrant, that these have been reduced, *Lord Cardwell* 108-113.

V.

Veterinary Surgeons. Question whether the pay and allowances of veterinary surgeons of the English army in India were not based upon Royal Warrant, *Sir T. T. Pears* 960, 961.

W.

War Office:

Explanations in speech made by witness in the House of Commons on 22nd February 1872, relative to the proposed promotion of first captains of Artillery and Engineers to the rank of major, *Lord Cardwell* 7——Entire concurrence of witness, in his evidence in 1874 upon the present question, before the Indian Finance Committee, *ib.* 17. 20. 97. 147, 148.

Expectation of witness in 1872 that the Artillery captains would be treated as field officers by the government of India, whilst he was very desirous that the objectionable system of contract allowances should at the same time be revived, *Lord Cardwell* 17. 19, 20. 25. 28. 60. 63. 65. 86-96. 98. 126, 127.

Justification of the omission on witness' part to make any reservation in his speech in regard to the Indian pay of Artillery officers; it was, in fact, no business of witness to speak as to the financial treatment of the officers in question by the Indian authorities, *Lord Cardwell* 51-54, 58, 59. 149, 150. 154-156——Full effect given to witness' scheme of promotion from the date of issue of the warrant of July 1872, the Indian pay and allowances being, on the other hand, a question entirely for the Indian Council, as part of its financial administration, *ib.* 70-80. 101-104.

Witness repeats that he never supposed the Royal Warrant would operate upon the finances of India, and that he looked merely for a reduction in the contract allowances, *Lord Cardwell* 119, 120. 127-132. 149-156. 164, 165.

Explanation that witness represents the opinions of the Commander in Chief on the question before the Committee, but does not in any way represent the Secretary of State for War, *Radcliffe* 260-265. 268-272. 309-311. 367, 368. 440. 455. 466. 484.

Conclusion as to Lord Cardwell having been under the impression in 1872 that the Artillery contract allowances would be withdrawn, though it was not his intention, nor was it in his power in any way to pledge the Government of India as to the majors of Artillery and Engineers receiving increased pay, *Sir T. T. Pears* 787-792—— Belief that there was no official communication between the War Office and India Office before the decision of the former as to the promotion given by the Warrant of July 1872, *ib.* 803-816. 1053-1058.

Explanation in further reference to the communications between Lord Cardwell and the India Office, relative to the promotion in the Artillery, and the expense involved, witness submitting that the India Office never held out any expectation, before the issue of the Warrant, as to increased pay, and that Lord Cardwell had no reason to rely upon such increase being given, *Sir T. T. Pears* 1096-1111. 1196, 1197. 1291, 1292—— Circumstance of the War Office not having taken exception to the letter from the India Office, of 11th July 1872, stating that it was not proposed to give any increased pay, *ib.* 1107-1109.

Exception taken to Lord Cardwell's expectation that the India Office would increase the pay concurrently with a saving by taking over the contracts, *Sir F. J. Halliday* 1300-1304——Advantage of some system whereby the War Office and India Office might be brought more into harmony as regards finance, *ib.* 1406-1411——Circumstance of Lord Cardwell not having protested whilst in office against the decision of the Duke of Argyll in July 1872, adverse to any increase of pay, *ib.* 1584.

Misfortune in Lord Cardwell not having had a clear understanding with the Duke of Argyll and the India Office before the issue of the Warrant of July 1872, so as to obviate

Report, 1877—*continued.*

WAR OFFICE—continued.

obviate any military discontent or injury to discipline, *Lord Salisbury* 1670–1672 1750. 1776. 1841.

Official correspondence between the War Office and India Office with reference to the claims made by certain officers of Artillery and Engineers in India to the pay and allowances of their rank on promotion; that is, from 1872 to 1875; *App.* 117 *et seq.*

See also *Army Organisation. Command Pay and Allowances. Contract Allowances. Expenditnre. India Office. Pay and Allowances. Royal Warrants. Soldiers' Pay.*

Warrants (*July* 1872). See *Royal Warrants.*

Worsley, Major, G. F., R.A. Letter from Major Worsley, dated 7th June 1875, relative to the claims made by him to the difference of pay between captain and major in India, from 5th July 1872 to 23rd November 1874; *App.* 120.

365

REPORT

FROM THE

SELECT COMMITTEE

ON

CANAL BOATS BILL;

WITH THE

PROCEEDINGS OF THE COMMITTEE.

Ordered, by The House of Commons, *to be Printed,*
12 *July* 1877.

Tuesday, 12*th June* 1877.

Ordered, THAT the CANAL BOATS BILL be committed to a Select Committee.

Monday, 25*th June* 1877.

Committee nominated of—

Mr. Salt.
Mr. Corbett.
Mr. Spencer Stanhope.
Mr. Rylands.
Sir John Hay.
Mr. Price.
Mr. J. G. Talbot.
Lord Frederick Cavendish.
Mr. Onslow.
Sir Ughtred Kay-Shuttleworth.
Mr. Sampson Lloyd.
Mr. Monk.
Mr. Ashbury.
Mr. Sheil.
Mr. Campbell.

Ordered, THAT Five be the Quorum of the Committee.

Thursday, 28*th June* 1877.

Ordered, THAT all Petitions relating to the Canal Boats Bill be referred to the Select Committee on the Bill.

Ordered, THAT the Petition of Messrs. Fellows, Morton & Co., against the Bill, be referred to the Committee.

Monday, 2*nd July* 1877.

Ordered, THAT the Report of the Commissioners on "The Factory and Workshop Acts (1876)," be referred to the Committee.

Tuesday, 3*rd July* 1877.

Ordered, THAT the Committee have power to send for Persons, Papers, and Records.

Tuesday, 10*th July* 1877.

Ordered, THAT the Petition from Mile End Old Town, for alteration of the Bill, be referred to the Committee.

REPORT - - - - - - - - - - - - - p. iii
PROCEEDINGS OF THE COMMITTEE - - - - p. iv

REPORT.

THE SELECT COMMITTEE to whom the CANAL BOATS BILL was referred, have gone through the Bill, and made Amendments thereunto.

12 *July* 1877.

PROCEEDINGS OF THE COMMITTEE.

Tuesday, 3rd July 1877.

MEMBERS PRESENT:

Sir John Hay.
Mr. Ashbury.
Mr. Onslow.
Mr. Spencer Stanhope.
Mr. Sampson Lloyd.
Sir Ughtred Kay-Shuttleworth.
Mr. Rylands.
Mr. Sheil.
Lord Frederick Cavendish.
Mr. Monk.
Mr. Salt.
Mr. Corbett.
Mr. J. G. Talbot.

Mr. SALT was called to the Chair.

The Committee deliberated.

[Adjourned till Friday next, at Twelve o'clock.

Friday, 6th July 1877.

MEMBERS PRESENT:

Mr. SALT in the Chair.

Mr. Monk.
Lord Frederick Cavendish.
Mr. Onslow.
Mr. Ashbury.
Sir John Hay.
Mr. Spencer Stanhope.
Mr. Sampson Lloyd.
Mr. Campbell.
Mr. Rylands.
Mr. Price.
Mr. Corbett.

Preamble *postponed.*

Clause 1.—Amendment proposed, in line 5, page 1, to leave out the word "four," in order to insert the word "twelve"—(Mr. *Spencer Stanhope*)—instead thereof.—Question, That the word "four" stand part of the Clause,—put, and *negatived.*—Question put, That the word "twelve" be there inserted.—The Committee divided:

Ayes, 7.	Noes, 4.
Mr. Corbett.	Mr. Onslow.
Mr. Spencer Stanhope.	Mr. Sampson Lloyd.
Mr. Rylands.	Mr. Monk.
Sir John Hay.	Mr. Campbell.
Mr. Price.	
Lord Frederick Cavendish.	
Mr. Ashbury.	

Amendment proposed, in line 6, page 1, to leave out the words "at night"—(Mr. *Price*).—Question put, That the words "at night" stand part of the Clause.—The Committee divided:

Ayes, 3.	Noes, 6.
Mr. Spencer Stanhope.	Mr. Corbett.
Mr. Onslow.	Sir John Hay.
Mr. Sampson Lloyd.	Mr. Price.
	Lord Frederick Cavendish.
	Mr. Ashbury.
	Mr. Campbell.

Further

Further Amendments made.—Clause, as amended, *agreed to.*

Clause 2.—Amendments made.—Another Amendment proposed, after the word "boat," in line 5, page 2, to insert the words, "Provided that three children and their parents may dwell in a boat where the gross cubic contents of the cabin are at least 200 feet, such children being of an age not exceeding five years"—(Mr. *Spencer Stanhope*).—Question proposed, That those words be there inserted: Whereupon Amendment proposed to the proposed Amendment, to leave out the word "five," in order to insert the word "six"—(Mr. *Campbell*)—instead thereof.—Question put, That the word "five" stand part of the proposed Amendment.—The Committee divided:

Ayes, 5.	Noes, 5.
Sir John Hay.	Mr. Corbett.
Lord Frederick Cavendish.	Mr. Spencer Stanhope.
Mr. Onslow.	Mr. Price.
Mr. Monk.	Mr. Sampson Lloyd.
Mr. Ashbury.	Mr. Campbell.

Whereupon the Chairman declared himself with the *Noes.*

Question, That the word "six" be inserted instead thereof,—put, and *agreed to.*—Question put, That the proposed words, as amended, be inserted in the Clause.—The Committee divided:

Ayes, 5.	Noes, 5.
Mr. Corbett.	Sir John Hay.
Mr. Spencer Stanhope.	Lord Frederick Cavendish.
Mr. Price.	Mr. Onslow.
Mr. Sampson Lloyd.	Mr. Monk.
Mr. Campbell.	Mr. Ashbury.

Whereupon the Chairman declared himself with the *Ayes.*

Clause further amended, and *agreed to.*

Clauses 3—4, amended, and *agreed to.*

Clause 5, amended.

[Adjourned till Tuesday next, at One o'clock.

Tuesday, 10*th July* 1877.

MEMBERS PRESENT:

Mr. SALT in the Chair.

Mr. Onslow.	Mr. Sampson Lloyd.
Mr. Ashbury	Mr. Campbell.
Sir John Hay.	Mr. Monk.
Mr. Spencer Stanhope.	Mr. J. G. Talbot.
Sir Ughtred Kay-Shuttleworth.	Mr. Price.
Lord Frederick Cavendish.	

Clause 5, further amended.—Amendment proposed, in line 23, page 3, to leave out the words "Master of the boat," in order to insert the words "Person so obstructing"—(The *Chairman*)—instead thereof.—Question put, That the words, "Master of the boat" stand part of the Clause.—The Committee divided:

Ayes, 5.	Noes, 6.
Mr. Spencer Stanhope.	Sir John Hay.
Mr. J. G. Talbot.	Mr. Price.
Lord Frederick Cavendish	Mr. Sampson Lloyd.
Mr. Onslow.	Mr. Monk.
Sir Ughtred Kay-Shuttleworth.	Mr. Ashbury.
	Mr. Campbell.

Question, That the words "Person so obstructing" be there inserted,—put, and *agreed to.*

Another Amendment made.—Clause, as amended, *agreed to.*

Clause 6.—Amendments made.—Another Amendment proposed in line 29, page 3, to leave out the words "In the place to which the boat is registered as belonging," in order to insert the words "In the school district in which the boat happens to be lying"—(Lord *Frederick Cavendish*)—instead thereof.—Question put, That the words proposed to be left out stand part of the Clause.—The Committee divided:

Ayes, 10.	Noe, 1.
Mr. Spencer Stanhope.	Lord Frederick Cavendish.
Sir John Hay.	
Mr. Price.	
Mr. J. G. Talbot.	
Mr. Onslow.	
Sir Ughtred Kay-Shuttleworth.	
Mr. Sampson Lloyd.	
Mr. Monk.	
Mr. Ashbury.	
Mr. Campbell.	

Further Amendments made.—Clause, as amended, *agreed to.*

[Adjourned till Thursday next, at One o'clock.

Thursday, 12*th July* 1877.

MEMBERS PRESENT:

Mr. SALT in the Chair.

Lord Frederick Cavendish.	Mr. Sampson Lloyd.
Mr. Monk.	Mr. Campbell.
Sir John Hay.	Mr. J. G. Talbot.
Mr. Spencer Stanhope.	

Clauses 7—8, amended, and *agreed to.*

Clause 9, *agreed to.*

Clause 10, amended, and *agreed to.*

Clauses 11—13, *agreed to.*

Several new Clauses *added.*

Preamble *agreed to.*

Bill, as amended, to be reported.

Ordered, To Report.

REPORT

FROM THE

SELECT COMMITTEE

ON

CANAL BOATS BILL;

WITH THE

PROCEEDINGS OF THE COMMITTEE.

Ordered, by The House of Commons, *to be Printed,*
12 *July* 1877.

327.

Under 1 *oz.*

REPORT

FROM THE

SELECT COMMITTEE

ON THE

GENERAL CARRIERS ACT;

TOGETHER WITH THE

PROCEEDINGS OF THE COMMITTEE,

MINUTES OF EVIDENCE,

AND APPENDIX.

Ordered, by The House of Commons, *to be Printed,*
4 *June* 1877.

Wednesday, 21st February 1877.

Ordered, THAT a Select Committee be appointed to inquire into the operation of the Act 11 Geo. 4 and 1 Will. 4, c. 68, commonly called "The General Carriers Act."

Monday, 5th March 1877.

Ordered, THAT the Select Committee on the Carriers Act, 1830, do consist of Nineteen Members:—

Sir Charles Adderley.
Mr. Cavendish Bentinck.
Mr. Brocklehurst.
Mr. Maurice Brooks.
Mr. Bruce.
Mr. Campbell-Bannerman.
Mr. Freshfield.
Mr. Attorney General for Ireland.
Mr. Goldney.
Mr. Staveley Hill.
Mr. Laing.
Mr. Leeman.
Mr. Majendie.
Mr. Morley.
Mr. Pemberton.
Mr. Salt.
Sir Edward Watkin.
Mr. Whitwell.
Sir Henry Jackson.

Ordered, THAT the Committee have power to send for Persons, Papers, and Records.

Ordered, THAT Five be the Quorum of the Committee.

REPORT - - - - - - - - - - - - - - p. iii
PROCEEDINGS OF THE COMMITTEE - - - - - - p. viii
MINUTES OF EVIDENCE - - - - - - - - - p. 1
APPENDIX - - - - - - - - - - - - - p. 25

REPORT.

THE SELECT COMMITTEE appointed to inquire into the Operation of the Act 11 Geo. 4 and 1 Will. 4, c. 68, commonly called "The General Carriers Act":——HAVE considered the matters to them referred, and have agreed to the following REPORT:—

THIS COMMITTEE was appointed, and took a considerable amount of evidence in the Session of 1875. They then reported in favour of a proposal which had been made by the representatives of the principal railway companies, the particulars of which are set out in their Report of that year.

Since their re-appointment, your Committee have received evidence as to the result of the experiment referred to in their last Report, and they are now in a position to report to the House on the whole matter. The Statute 11th of George the Fourth and 1 William the Fourth, chapter 68, appears to have been passed somewhat hurriedly and at the instance of two private members; and there is no evidence of its having been based upon any public inquiry or the Report of any Committee of either House of Parliament, or of a Royal Commission; indeed, from the rapidity with which it passed through both Houses of Parliament, it would seem to have been the subject of but little discussion. A reference to its preamble will show that the condition of the carrying trade, with which it was intended to deal, was widely different to that which now exists. At that time the railway system had not been established, and the provisions of that Act restricting the common law liability of carriers now require reconsideration.

No maximum rate of insurance was prescribed by the Act, and the Railway Companies have adopted terms and conditions of insurance which have been practically prohibitory, and, consequently, all the articles enumerated in the Act were, until the experiment before referred to, conveyed at the risk of the owner, except so far as the 8th section makes the carrier liable for loss proved to have been occasioned by the act or default of his own servant. The provisions of this section are shown, in some cases, to have operated harshly upon carriers, as they have been liable for the non-delivery of parcels containing articles of great value, the nature of which has not been indicated, in consequence whereof, those special precautions which might otherwise have been taken, have been omitted.

Your Committee have heard evidence from representatives of the principal trades affected by the Act, and the result has been to show that the amount of loss in transit, as compared with the great value of goods carried, has been infinitesimally small.

While the Railway Companies were relying upon the Act, a system of insuring by the ordinary underwriters sprung up, and it would seem that any of the articles protected by the Carriers Act could be insured at Lloyds for any distance, and quite irrespective of destination, at a maximum charge of 1 *s.* per 100 *l.*, with a fee for brokerage. No case of an actual claim under one of these policies was proved to have arisen, but both insurers and insured appear to be satisfied with the security.

At the same time the facilities for the registration by post of small parcels have been much used, and it appears that the protection thus afforded amounts, in practice, to a total immunity from loss.

The experiment referred to in the first paragraph to this Report has been going on upon the Associated Railways since August 1875, and a Paper, stating the result down to December 1876 was handed in to this Committee in April 1877, showing results which are significant. On the 24 railways goods of the declared value of 12,609,431 *l.* have been insured, and 7,401 *l.* was received in premiums. The claims for losses which have been admitted and paid amount to 2,831 *l.*, and the claims for losses not yet admitted amounted to 1,796 *l.* It must be noticed, however, that the shortness of the duration of this experiment, the small quantity of goods insured, and the uniformity of freedom from accident during the period should prevent too great weight being attributed to this result.

At the same time your Committee are of opinion that carriers are reasonably entitled to notice when any specially valuable parcel is consigned to them for transmission, and they are of opinion that both the public and the carrier will be best protected by the imposition by law of a maximum rate of insurance upon those articles within the Act which may properly be made the subject of special legislation.

Much evidence was given upon the existing immunity in respect of articles of silk and textile fabrics mixed with silk. It is sufficient to report that, on the whole evidence, your Committee are satisfied that silk and silk goods ought to be omitted from the protection of the Carriers Act, and be carried at the risk of the carrier. With regard to the other articles included in the Act in question, your Committee are of opinion that the carrier may reasonably claim some special protection in regard to them which will be best effected by maintaining the principle of insurance, but that the maximum rate to be charged for such insurance should be regulated by law.

The articles within the Act readily separate themselves into three classes; first, those which, being of small bulk and special value, are more liable to loss: secondly, those which, being fragile or perishable, are liable to breakage or other injury in the course of transit: and, thirdly, those which, though of small intrinsic value, necessarily require greater care by reason of their utility to others. The first class would contain gold or silver coin, gold or silver in a manufactured or an unmanufactured state, precious stones, jewellery, watches, clocks, time-pieces, trinkets, bills, bank notes, gold or silver plate, or plated articles, furs and hand-made lace (machine-made lace has by Statute been struck out of the Act). The second class would contain glass, china, paintings, engravings, and pictures. The third class would contain orders, notes, or securities for payment of money, stamps, maps, writings, and title deeds.

On the other hand, your Committee think it reasonable that, if a proper rate of insurance is established by law, Section 8 of the Act, by which the carrier is liable for the acts or defaults of his own servant, should be repealed, so that he, under no circumstances, would be liable for any goods within the Act which are not insured by whomsoever the loss may be occasioned.

But the representatives of the Railway Companies take a different view. They assert that the experience of the experiment made in consequence of the former Report is insufficient to establish the true rate at which they should be compelled to insure, and they prefer for the present to remain liable for the acts of their servants even where parcels are not insured, rather than be subjected to any fixed rate of insurance or any legislation. The representatives of the following Railway Companies, that is to say:—

The London and North Western,
The Midland,
The Great Western,
The Great Northern,
The Great Eastern,
The London, Brighton, and South Coast,
The London and South Western,
The Manchester, Sheffield, and Lincolnshire,
The Lancashire and Yorkshire,
The Furness,
The Caledonian,
The North British,

The

The North Staffordshire,
The North Eastern,
The London, Chatham, and Dover,
The South Eastern,
The South Devon and Cornwall,
The Bristol and Exeter,
The Taff Vale,
The Glasgow and South Western,

have accordingly proposed to your Committee to bind themselves for a period of five years to insure all goods within the Act upon the terms and at the rate set forth in the document annexed to this Report by way of Schedule, and further to bind themselves at the expiration of that period not to alter these terms or conditions without giving to the President of the Board of Trade, and, as far as may be, to the public, notice of their intention to make such a change.

The terms of this proposal, though by no means satisfactory to your Committee, are in many respects more favourable to the public than the conditions to which consistently with the existing law the Railway Companies might subject the several trades affected; and, on the whole, your Committee have come to the conclusion to recommend that their proposal be adopted, and consequently they do not feel called upon to recommend any present legislation.

There are other points of detail in the working of the Act which have given rise to controversy in the Courts of Law, and as to which Mr. Staveley Hill, a member of your Committee, presented a Paper, which is printed in the Report of July 1875, upon many of which legislation would be desirable; but, having regard to previous recommendation, your Committee consider that legislation on those points may also be postponed.

SCHEDULE.

RATES for the INSURANCE of VALUABLE PARCELS and GOODS forwarded by PASSENGER or GOODS TRAINS.

UNTIL further notice, all the Railway Companies will charge the following reduced Rates for Insurance over and above the common and ordinary rate of charge for carriage, for Parcels and Packages of any of the Goods enumerated in the under-mentioned Classification of Articles included in an Act of Parliament commonly called the "Carriers Act":—

CLASSIFICATION.

CLASS 1.

1. Stamps.
2. Maps.
3. Silks, or Goods mixed with Silk where Silk is more than 30 per cent. of the value.
4. Furs.
5. Clocks.
6. Timepieces.
7. Plated Articles.
8. Coins, Gold and Silver.
9. Gold and Silver, Manufactured and Unmanufactured.
10. Jewellery from or to Manufacturers or Factors.
11. Watches.
12. Gold and Silver Plate.
13. Handmade Lace.
14. Engravings.
15. Trinkets.
16. Bank Notes.
17. Title Deeds.
18. Writings.
19. Bills of Exchange.
20. Orders, Notes, or Securities, for payment of Money, English or Foreign.

CLASS 2.

1. Glass of all kinds, except as named in Class 4.
2. China from Manufacturers or Factors.
3. Precious Stones, *set or unset.*
4. Jewellery, *not* from or to Manufacturers or Factors.

CLASS 3.

1. Pictures and Paintings.

CLASS 4.

1. Plate Glass (in plates exceeding 36 feet superficial in size cut).
2. Glass (stained).
3. Glass (silvered).
4. Glass (bent).
5. China (other than from Manufacturers or Factors).

N.B.—In mixed silk goods where there is less than 30 per cent. of silk, the exemption of the Carriers Act is not to be pleaded at all, but all such goods are to be carried at the carrier's risk.

SCALE OF CHARGES.

	Between all Stations in Great Britain.				Between Stations in Great Britain and Ports in Ireland and the British Isles.			
	Class 1.	Class 2.	Class 3.	Class 4.	Class 1.	Class 2.	Class 3.	Class 4.
	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
Maximum Charge for £. 25 or less in value	– 3	– 6	1 3	2 6	– 9	1 6	3 9	7 6
" " 26 to £. 50 "	– 6	1 –	2 6	5 –	1 6	3 –	7 6	15 –
" " 51 " 75 "	– 9	1 6	3 9	7 6	2 3	4 6	11 3	22 6
" " 76 " 100 "	1 –	2 –	5 –	10 –	3 –	6 –	15 –	30 –
" " 101 " 125 "	1 3	2 6	6 3	12 6	3 9	7 6	18 9	37 6
" " 126 " 150 "	1 6	3 –	7 6	15 –	4 6	9 –	22 6	45 –
" " 151 " 175 "	1 9	3 6	8 9	17 6	5 3	10 6	26 3	52 6
" " 176 " 200 "	2 –	4 –	10 –	20 –	6 –	12 –	30 –	60 –
" " 201 " 225 "	2 3	4 6	11 3	22 6	6 9	13 6	33 9	67 6
" " 226 " 250 "	2 6	5 –	12 6	25 –	7 6	15 –	37 6	75 –
" " 251 " 275 "	2 9	5 6	13 9	27 6	8 3	16 6	41 3	82 6
" " 276 " 300 "	3 –	6 –	15 –	30 –	9 –	18 –	45 –	90 –
" " 301 " 325 "	3 3	6 6	16 3	32 6	9 9	19 6	48 9	97 6
" " 326 " 350 "	3 6	7 –	17 6	35 –	10 6	21 –	52 6	105 –
" " 351 " 375 "	3 9	7 6	18 9	37 6	11 3	22 6	56 3	112 6
" " 376 " 400 "	4 –	8 –	20 –	40 –	12 –	24 –	60 –	120 –
" " 401 " 425 "	4 3	8 6	21 3	42 6	12 9	25 6	63 9	127 6
" " 426 " 450 "	4 6	9 –	22 6	45 –	13 6	27 –	67 6	135 –
" " 451 " 475 "	4 9	9 6	23 9	47 6	14 3	28 6	71 3	142 6
" " 476 " 500 "	5 –	10 –	25 –	50 –	15 –	30 –	75 –	150 –

The above charges apply irrespective of distance.

The above Classification, Scale of Charges, and the following Conditions apply, whether the articles be conveyed by Goods or Passenger Trains, but parcels up to and including 28 lbs. in weight are to be insured only when sent by Passenger Train.

Carriers Act, 1830.

Conditions adopted by the Railway Companies represented at the Railway Clearing House.

The insuring Company reserves the right of inspecting, before effecting any insurance, all Goods delivered to them for Insurance, to ascertain that the articles are in accordance with the declaration, and are in good condition and well-packed.

The Insurance is to apply only to the point to which the Carriage Charges cover conveyance and delivery of the insured articles.

The Contract for Insurance must be made by the forwarding Company and with the Sender only, and the charge for Insurance must be pre-paid.

The Insurance of Articles exceeding £. 500 in value, and so declared, to be subject to special arrangements; but the charge for Insurance must not be less than the charge according to the foregoing Scales.

In the event of a consignment tendered for Insurance consisting of more packages than one, the value of each package must be declared separately, but the charge for Insurance must be upon the aggregate value of the whole number of packages.

PROCEEDINGS OF THE COMMITTEE.

Monday, 19*th March* 1877.

MEMBERS PRESENT:

Sir Henry Jackson.	Mr. Whitwell.
Mr. Bruce.	Mr. Leeman.
Mr. Brocklehurst.	Sir Charles Adderley.
Mr. Freshfield.	Mr. Gibson (Attorney General for Ireland).
Mr. Staveley Hill.	
Mr. Maurice Brooks.	Mr. Campbell Bannerman.

Sir HENRY JACKSON was called to the Chair.

[Adjourned till Monday, 16th April, at Twelve o'clock.

Monday, 16*th April* 1877.

MEMBERS PRESENT:

Sir HENRY JACKSON in the Chair.

Mr. Brocklehurst.	Mr. Staveley Hill.
Mr. Leeman.	Mr. Morley.
Mr. Bruce.	Mr. Whitwell.
Mr. Majendie.	

The Committee deliberated, and adjourned till Monday next, at One o'clock.

Monday, 23*rd April* 1877.

MEMBERS PRESENT:

Sir HENRY JACKSON in the Chair.

Sir Charles Adderley.	Mr. Bruce.
Mr. Brocklehurst.	Mr. Freshfield.
Mr. Morley.	Mr. Cavendish Bentinck.
Mr. Staveley Hill.	Mr. Campbell-Bannerman.
Mr. Leeman.	Mr. Gibson (Attorney General for Ireland).
Mr. Salt.	
Mr. Maurice Brooks.	Mr. Whitwell.

Mr. *James Allport* was examined.

[Adjourned till Monday, 7th May.

Monday, 7th May 1877.

MEMBERS PRESENT:

Sir HENRY JACKSON in the Chair.

Mr. Majendie.	Mr. Bruce.
Mr. Brocklehurst.	Mr. Goldney.
Mr. Whitwell.	Mr. Freshfield.
Mr. Morley.	Mr. Campbell-Bannerman.
Mr. Cavendish Bentinck.	Mr. Leeman.
Sir Charles Adderley.	

Mr. *James Allport* was further examined.

Mr. *Charles G. Dean*, Mr. *Harrison*, and Mr. *J. H. Buckingham* were severally examined.

[Adjourned till Monday next, at Twelve o'clock.

Monday, 14th May 1877.

MEMBERS PRESENT:

Sir HENRY JACKSON in the Chair.

Sir Charles Adderley.	Mr. Campbell-Bannerman.
Mr. Bruce.	Mr. Leeman.
Mr. Freshfield.	Mr. Cavendish Bentinck.
Mr. Staveley Hill.	Sir Edward Watkin.
Mr. Majendie.	Mr. Gibson (Attorney General for Ireland).
Mr. Morley.	
Mr. Salt.	Mr. Maurice Brooks.
Mr. Brocklehurst.	Mr. Goldney.
Mr. Whitwell.	

DRAFT REPORT proposed by the *Chairman*, brought up, and read the first time, as follows:

"1. This Committee was appointed, and took a considerable amount of evidence in the Session of 1875. They then reported in favour of a proposal which had been made by the representatives of the principal railway companies, the particulars of which are set out in their Report presented on the 1st July 1875.

"2. Since their re-appointment, your Committee have received evidence as to the result of the experiment referred to in their last Report, and they are now in a position to report to the House on the whole matter. The Statute 11th of George the Fourth and 1 William the Fourth, chapter 68, appears to have been passed somewhat hurriedly, and at the instance of two private Members, and there is no evidence of its having been based upon any public inquiry or the Report of any Committee of either House of Parliament, or a Royal Commission; indeed, from the rapidity with which it passed through both Houses of Parliament, it would seem to have been the subject of but little discussion. A reference to its preamble will show that the condition of the carrying trade, with which it was intended to deal, was widely different to that which now exists. At that time the railway system had not been established, and the principal danger to which the Act was directed was pilfering and abstraction which, by reason that all carrying was conducted by the public highways and in places accessible to anybody, could not readily be prevented. Now the railway companies, who have practically engrossed the whole internal carrying trade of the country, have ample means of protecting themselves against this class of risk.

"3. It is, however, to be remembered that the railway system has grown up under the protection of this statute, and it is not surprising that railway managers cling somewhat jealously to its provisions.

"4. The evidence produced before your Committee has satisfied them that, on the whole, the operation of the Act has been unsatisfactory.

"5. As no maximum rate of insurance has been prescribed by the Act, the Railway Companies have imposed terms and conditions on insurance which have been practically prohibitory, and, consequently, all the articles enumerated in the Act were, until the experiment before referred to, carried at the holder's risk; the only exception being that resulting from the 8th section, which made the carrier liable for loss proved to have been occasioned by the act or default of his own servant. This provision is shown, in some cases, to have operated harshly upon carriers, as they have been liable for the non-delivery of parcels containing matters of great value, the nature of which has not been indicated, in consequence whereof the special precautions have been omitted.

"6. Your Committee have heard evidence from representatives of the principal trades affected by the Act, and the result has been to show that the amount of loss in transit, as compared with the value of goods carried, has been infitesimally small. But the anxiety and vexation, and the consequent interference with trade, have been out of all proportion to the risk which the carrier would be subjected to if the Act had not been passed.

"7. While the Railway Companies were relying upon the Act, a system of insuring by the ordinary underwriters sprung up, apparently without the knowledge of railway managers, and it would seem that any of the articles protected by the Carriers Act could be insured at Lloyds for any distance, and quite irrespective of destination, at a maximum charge of 1*s.* per 100*l.*, with a moderate fee for brokerage. No case with actual claim under one of these policies was proved to have arisen, but both insurers and insured appear to be quite satisfied with the immunity thus obtained.

"8. At the same time the facilities for the registration by post of small parcels have been much availed of, and it appears that the protection thus afforded amounts, in practice, to a total immunity from loss.

"9. The result of this experience, therefore, is to satisfy your Committee that the danger to the carrier from loss in the present state of trade is practically very small.

"10. At the same time your Committee are of opinion that carriers are reasonably entitled to notice when any specially valuable parcel is consigned to them for transmission, and they are of opinion that both the public and the carrier will be best protected by the imposition by law of a maximum rate of insurance upon those articles within the Act which may properly be made the subject of special legislation.

"11. Much evidence was given upon the existing immunity in respect of articles of silk or other fabrics mixed with silk. It is sufficient to report that, on the whole evidence, your Committee are satisfied that silk and silk goods might very reasonably be omitted from the protection of the Carriers Act, and be carried at the risk of the carrier. Many articles equal in bulk and value, and just as liable to loss or injury as silk, are now carried without the statutory immunity, and, looking at the enormous extent to which these silk industries have grown, your Committee are of opinion that the exceptional immunity in regard to them need no longer be maintained. With regard to the other articles protected by the Act in question, your Committee are of opinion that the carrier may reasonably claim some special protection in regard to them which will be best effected by maintaining the principle of insurance, but that the maximum rate to be charged for such insurance should be regulated by law.

"12. The articles within the Act readily separate themselves into three classes; first, those which, being of small bulk and special value, are more readily liable to loss; secondly, those which, being fragile or perishable, are liable to breakage or other injury in the course of transit; and, thirdly, those which, though of small intrinsic value, necessarily require greater care by reason of their utility to others. The first class would contain gold or silver coin, gold or silver in a manufactured or an unmanufactured state, precious stones, jewellery, watches, clocks, time-pieces, trinkets, bills, bank notes, gold or silver plate, or plated articles, furs and hand-made lace (also machine-made lace), has by Statute been struck out of the Act. The second class would contain, glass, china, paintings, engravings, and pictures. The third class would contain orders, notes, or securities for payment of money, stamps, maps, writings, and title deeds.

"13. Your Committee are of opinion that all carriers should be by law required to insure all articles in the first class at a price not exceeding 1*s.* for 100*l.* in declared value, there being no less fraction by declared value than 25*l.*; that all articles in the second class should be insured at prices not exceeding , and that in respect of articles in the third class a moderate registration fee ought to be charged, and that on compliance with these provisions the carrier ought to be liable for all loss of or injury to the goods carried irrespective of distance or destination.

"14. On the other hand, your Committee think it reasonable that, if a proper rate of insurance is established by law, Section 8 of the Act, by which the carrier is liable for the acts or defaults of his own servant, should be repealed, so that he, under no circumstances, would be liable for any goods within the Act which are not insured by whomsoever the loss may be occasioned.

"15. But the representatives of the Railway Companies take a different view. They assert that the experience of the experiment made in consequence of the former Report insufficient

insufficient to establish the true rate at which they should be compelled to insure, and they prefer for the present to remain liable for the acts of their servants even where parcels are not insured, rather than be subjected to any fixed rate of insurance or any legislation. The representatives of the following Railway Companies, that is to say:—

The London and North Western,
The Midland,
The Great Western,
The Great Northern,
The Great Eastern,
The London, Brighton, and South Coast,
The London and South Western,
The Manchester, Sheffield, and Lincolnshire,
The Lancashire and Yorkshire,
The Furness,
The Caledonian,
The North British,
The North Staffordshire,
The North Eastern,
The London, Chatham, and Dover,
The South Eastern,
The South Devon and Cornwall,
The Bristol and Exeter,
The Taff Vale,
The Glasgow and South Western,

have accordingly proposed to your Committee to bind themselves for a period of five years to insure all goods within the Act upon the terms and at the rate set forth in the document annexed to this Report by way of Schedule, and further to bind themselves at the expiration of that period not to alter these terms or conditions without giving to the President of the Board of Trade, and, as far as may be, to the public, notice of their intention to make such a change.

"16. The terms of this proposal, though by no means satisfactory to your Committee, are in many respects more favourable to the public than the conditions to which consistently with the existing law the Railway Companies might subject them; and, on the whole, your Committee have come to the conclusion to recommend that their proposal be adopted, the effect of which will of course be that, provided the Railway Companies satisfactorily carry out their proposition, this Committee will recommend that no further legislation be attempted for the period of five years from this date.

"17. There are other points of detail in the working of the Act which have given rise to controversy in the Courts of Law, and as to which Mr. Staveley Hill, a member of your Committee, presented a Paper, which is printed in the Report of July 1875, upon many of which legislation would be desirable; but, having regard to previous recommendation, your Committee consider that legislation on those points may also be postponed."

SCHEDULE.

RATES for the INSURANCE of VALUABLE PARCELS and GOODS forwarded by PASSENGER or GOODS TRAINS.

UNTIL further notice, all the Railway Companies will charge the following reduced Rates for Insurance over and above the common and ordinary rate of charge for carriage, for Parcels and Packages of any of the Goods enumerated in the under-mentioned Classification of Articles included in an Act of Parliament commonly called the "Carriers Act":—

CLASSIFICATION.

CLASS 1.

1. Stamps.
2. Maps.
3. Silks, or Goods mixed with Silk where Silk is more than 30 per cent. of the value.
4. Furs.
5. Clocks.
6. Timepieces.
7. Plated Articles.
8. Coins, Gold and Silver.
9. Gold and Silver, Manufactured and Unmanufactured.
10. Jewellery from or to Manufacturers or Factors.
11. Watches.
12. Gold and Silver Plate.
13. Handmade Lace.
14. Engravings.
15. Trinkets.
16. Bank Notes.
17. Title Deeds.
18. Writings.
19. Bills of Exchange.
20. Orders, Notes, or Securities, for payment of Money, English or Foreign.

CLASS 2.

1. Glass of all kinds, except as named in Class 4.
2. China from Manufacturers or Factors.
3. Precious Stones, *set or unset*.
4. Jewellery, *not* from or to Manufacturers or Factors.

CLASS 3.

1. Pictures and Paintings.

CLASS 4.

1. Plate Glass (in plates exceeding 36 feet superficial in size cut).
2. Glass (stained).
3. Glass (silvered).
4. Glass (bent).
5. China (other than from Manufacturers or Factors).

N.B.—In mixed silk goods where there is less than 30 per cent. of silk, the exemption of the Carriers Act is not to be pleaded at all, but all such goods are to be carried at the carrier's risk.

Scale of Charges.

	Between all Stations in Great Britain.				Between Stations in Great Britain and Ports in Ireland and the British Isles.			
	Class 1.	Class 2.	Class 3.	Class 4.	Class 1.	Class 2.	Class 3.	Class 4.
	s. *d.*	*s.* *d.*	*s.* *d.*	*s.* *d.*	*s.* *d.*	*s.* *d.*	*s.* *d.*	*s.* *d.*
Maximum Charge for £. 25 or less in value	– 3	– 6	1 3	2 6	– 9	1 6	3 9	7 6
„ „ 26 to £. 50 „	– 6	1 –	2 6	5 –	1 6	3 –	7 6	15 –
„ „ 51 „ 75 „	– 9	1 6	3 9	7 6	2 3	4 6	11 3	22 6
„ „ 76 „ 100 „	1 –	2 –	5 –	10 –	3 –	6 –	15 –	30 –
„ „ 101 „ 125 „	1 3	2 6	6 3	12 6	3 9	7 6	18 9	37 6
„ „ 126 „ 150 „	1 6	3 –	7 6	15 –	4 6	9 –	22 6	45 –
„ „ 151 „ 175 „	1 9	3 6	8 9	17 6	5 3	10 6	26 3	52 6
„ „ 176 „ 200 „	2 –	4 –	10 –	20 –	6 –	12 –	30 –	60 –
„ „ 201 „ 225 „	2 3	4 6	11 3	22 6	6 9	13 6	33 9	67 6
„ „ 226 „ 250 „	2 6	5 –	12 6	25 –	7 6	15 –	37 6	75 –
„ „ 251 „ 275 „	2 9	5 6	13 9	27 6	8 3	16 6	41 3	82 6
„ „ 276 „ 300 „	3 –	6 –	15 –	30 –	9 –	18 –	45 –	90 –
„ „ 301 „ 325 „	3 3	6 6	16 3	32 6	9 9	19 6	48 9	97 6
„ „ 326 „ 350 „	3 6	7 –	17 6	35 –	10 6	21 –	52 6	105 –
„ „ 351 „ 375 „	3 9	7 6	18 9	37 6	11 3	22 6	56 3	112 6
„ „ 376 „ 400 „	4 –	8 –	20 –	40 –	12 –	24 –	60 –	120 –
„ „ 401 „ 425 „	4 3	8 6	21 3	42 6	12 9	25 6	63 9	127 6
„ „ 426 „ 450 „	4 6	9 –	22 6	45 –	13 6	27 –	67 6	135 –
„ „ 451 „ 475 „	4 9	9 6	23 9	47 6	14 3	28 6	71 3	142 6
„ „ 476 „ 500 „	5 –	10 –	25 –	50 –	15 –	30 –	75 –	150 –

The above charges apply irrespective of distance.

The above Classification, Scale of Charges, and the following Conditions apply, whether the articles be conveyed by Goods or Passenger Trains, but parcels up to and including 28 lbs. in weight are to be insured only when sent by Passenger Train.

Carriers Act, 1830.

Conditions adopted by the Railway Companies represented at the Railway Clearing House.

The insuring Company reserves the right of inspecting, before effecting any insurance, all Goods delivered to them for Insurance, to ascertain that the articles are in accordance with the declaration, and are in good condition and well-packed.

The Insurance is to apply only to the point to which the Carriage Charges cover conveyance and delivery of the insured articles.

The Contract for Insurance must be made by the forwarding Company and with the Sender only, and the charge for Insurance must be prepaid.

The Insurance of Articles exceeding £. 500 in value, and so declared, to be subject to special arrangements; but the charge for Insurance must not be less than the charge according to the foregoing Scales.

In the event of a consignment tendered for Insurance consisting of more packages than one, the value of each package must be declared separately, but the charge for Insurance must be upon the aggregate value of the whole number of packages.

DRAFT REPORT proposed by Mr. *Morley*, brought up, and read the first time, as follows:

" 1. By the common law the common carrier has always been held liable for any loss or damage to the goods and parcels he had contracted to carry and deliver as directed. He had merely to receive and take them safely from one place to another, and the charge paid for the carriage was always held to include or cover an insurance against loss or damage during the transit.

" 2. The Carriers Act of 1830 was passed in the days of mail contractors and stage coach proprietors, before railways existed, when the goods in transit were liable to all the risks of long and tedious journeys by day and by night, in stage coaches, road waggons, and vans, on the common highway, and in boats on the canals, and were exposed to the depredations and pilferings of the loiterers about the doors and in the yards of hotels, inns, and roadside taverns; whereas in the present day, the roads are the property and in the keeping of the railway companies, and the stations and warehouses are all in the possession of their own servants, and are watched over by their own police.

" 3. That

"3. That Act was passed for the protection of mail contractors, stage coach proprietors, and other common carriers against the losses they sustained from the prevalence of a practice which no longer prevails, namely, 'the frequent practice of bankers and others of sending by the public mails, stage coaches, waggons, vans, and other public conveyances, parcels and packages containing money, bills, notes, jewellery, and other articles of great value, in small compass, by reason whereof much valuable property is rendered liable to depredation, and the responsibility of mail contractors, &c., is greatly increased;' but it goes on to recite that 'through the frequent omission by persons sending such parcels and packages to notify the value and nature of the contents thereof, so as to enable such mail contractors, &c., by due diligence to protect themselves against losses arising from their legal responsibility, they had become exposed to great and unavoidable risks, and had sustained heavy losses.'

"4. According to this preamble the object of the Act might have been attained by compelling the senders of such parcels to notify to the carriers the value and nature of the contents thereof, so as to enable such carriers 'by due diligence to protect themselves.'

"5. But in the first section, when it comes to the enacting part, the articles enumerated in the preamble are considerably increased in number, and include, amongst others, silks, lace, furs, &c., and the senders are required not simply to declare that the contents are of value, but also to declare the value, and to pay an increased rate for the safe carriage and delivery in proportion to such value.

"6. The Committee submit, that it is the business and the duty of the carrier to convey and safely deliver goods entrusted to him for that purpose, and that if his business be conducted with 'due diligence,' ordinary care and vigilance, he can protect himself against loss or damage, and that he has no right to speculate on his own negligence or default, or to call upon the public to contribute towards his indemnification.

"7. It is reasonable that a carrier or carrying company should have notice in the case of any package or parcel of more than ordinary value, in order that he may give to it more than ordinary diligence and care; and, as the making provision for that extraordinary care and security may occasion some little extra expense, it is equally reasonable that he should be entitled to some small additional charge. For instance, all such packages may be placed in separate vans or receptacles, and may travel under lock and key, or in the actual custody of a special and superior officer.

"8. Except for such articles as pictures, glass, china, and other fragile goods which may be damaged notwithstanding every possible care and all due diligence, the ad valorem principle of compensation or insurance seems to this Committee to be wholly inapplicable and utterly impracticable; many parcels have to pass over several railways, and one of the conditions of insurance in certain cases is, that a representative of the railway company should be sent for to see the contents of the insured package, and the same in the case of the carrier, because many packages go through the carriers' hands before they arrive at the railway station. For any large mercantile house to carry out such a system would involve a vast amount of labour, and necessitate the employment of a special staff of clerks, and that must become an intolerable grievance, to which the commercial and manufacturing community ought not to be exposed.

"9. Distinct evidence was given that firms generally rather incur the risk of litigation under the present most unsatisfactory state of the law than submit to the minute and troublesome arrangements which are imposed as the condition of insuring every individual package. An experimental trial has been going on upon 20 of the associated railways, from August 1875 to December 1876, and a Paper handed in to this Committee, in April 1877, shows the results of the insurance of goods and parcels conveyed by railway at the rate of 1 *s.* per 100 *l.* The results are very remarkable and significant. On the 20 railways, goods of the declared value of 12,609,431 *l.* have been insured, and 7,401 *l.* have been received in premiums. The claims for losses which have been admitted and paid amount to only 2,831 *l.*, and the claims for losses not yet admitted or paid amount to only 1,796 *l.*, together only 4,627 *l.*, which being deducted from the 7,401 *l.* paid in premiums to the companies, leaves a net gain to them of 2,774 *l.* These figures prove conclusively the very small amount of loss to which even an approximation to 'due care and diligence' has reduced and may further reduce the losses and damages for which carriers are liable."

MOTION MADE, and Question, That the Draft Report proposed by the Chairman be read a second time, paragraph by paragraph,—put, and *agreed to.*

Paragraphs 1 and 2, amended, and *agreed to.*

Paragraphs 3 and 4, *disagreed to.*

Paragraph 5, amended.—Amendment proposed, at the end of the second line, to leave out the words "have been practically prohibitory," in order to insert the words "in many cases have not been accepted by the public"—(Mr. *Leeman*),—instead thereof.—Question put, That the words proposed to be left out stand part of the Question.—The Committee divided:

Ayes, 7.	Noes, 6.
Mr. Freshfield.	Mr. Bruce.
Mr. Campbell-Bannerman.	Sir Charles Adderley.
Mr. Majendie.	Mr. Cavendish Bentinck.
Mr. Staveley Hill.	Mr. Leeman.
Mr. Brocklehurst.	Sir Edward Watkin.
Mr. Whitwell.	Mr. Gibson (Attorney General for Ireland).
Mr. Morley.	

Another Amendment proposed in the third line, after the word "prohibitory," to insert the words "partly because the sender of the merchandize has been enabled to insure the articles enumerated on more favourable terms with the ordinary insurance societies"—(Sir *Edward Watkin*).—Question put, "That those words be there inserted."—The Committee divided:

Ayes, 3.	Noes, 10.
Mr. Bruce.	Mr. Freshfield.
Mr. Leeman.	Mr. Campbell-Bannerman.
Sir Edward Watkin.	Mr. Majendie.
	Mr. Staveley Hill.
	Sir Charles Adderley.
	Mr. Brocklehurst.
	Mr. Whitwell.
	Mr. Morley.
	Mr. Cavendish Bentinck.
	Mr. Gibson.

Other Amendments made.—Paragraph, as amended, *agreed to.*

Paragraph 6, amended, and *agreed to.*

Paragraph 7.—Amendment proposed, at the beginning of the paragraph, to leave out the words "While the railway companies were relying upon the Act"—(Mr. *Staveley Hill*).—Question put, That the words proposed to be left out stand part of the paragraph."—The Committee divided:

Ayes, 7.	Noes, 6.
Mr. Freshfield.	Mr. Bruce.
Mr. Campbell-Bannerman.	Mr. Staveley Hill.
Mr. Majendie.	Sir Charles Adderley.
Mr. Brocklehurst.	Mr. Cavendish Bentinck.
Mr. Whitwell.	Mr. Leeman.
Mr. Morley.	Mr. Gibson (Attorney General for Ireland).
Mr. Goldney.	

Paragraph amended, and *agreed to.*

Paragraph 8, amended, and *agreed to.*

Paragraph 9.—Amendment proposed, to omit all the words after the first word "The" to the end of the paragraph, in order to add the words "Experiment referred to in paragraph 1 has been going on upon the Associated Railways since August 1875, and a Paper stating the result down to December 1876 was handed in to this Committee in April 1877, shows results which are significant. On the 24 railways, goods of the declared value of 12,609,431 *l.* have been insured, and 7,401 *l.* was received in premiums. The claims for losses which have been admitted and paid amount to 2,831 *l.*, and the claims for losses not yet admitted amounted to 1,796 *l.*, together 4,627 *l.*" (*See* paper put in by Mr. *Allport*)—(Mr. *Morley*)—instead thereof.

Question, That the words proposed to be left out stand part of the paragraph—put, and *negatived.*

Question proposed, That the proposed words be added, instead thereof:—Whereupon an Amendment

Amendment was proposed to the proposed Amendment by adding at the end thereof the words, "It must, however, be observed that this experiment did not include any insurance on several kind of goods within the Carriers Act, and that the experiment was of too short a duration to give perfect averages, and that the period was unusually free from accidents"—(Sir *Charles Adderley*).—Question put, That those words be there added.—The Committee divided:

Ayes, 7.	Noes, 6.
Mr. Bruce.	Mr. Freshfield.
Mr. Majendie.	Mr. Campbell-Bannerman.
Mr. Staveley Hill.	Mr. Brocklehurst.
Sir Charles Adderley.	Mr. Whitwell.
Mr. Cavendish Bentinck.	Mr. Morley.
Mr. Leeman.	Mr. Goldney.
Sir Edward Watkin.	

Amendment, as amended, added to the paragraph.

Question, "That the paragraph, as amended, stand part of the proposed Report,"—put, and *negatived*.

New paragraph, 8*a*, added to the proposed Report.

[Adjourned till Monday, 4th June, at Twelve o'clock.

Monday, 4th June 1877.

MEMBERS PRESENT:

Sir HENRY JACKSON in the Chair.

Mr. Freshfield.	Mr. Staveley Hill.
Mr. Cavendish Bentinck.	Mr. Goldney.
Mr. Brocklehurst.	Mr. Majendie.
Mr. Salt.	Mr. Bruce.
Mr. Morley.	Mr. Laing.
Mr. Leeman.	Sir Charles Adderley.
Mr. Campbell-Bannerman.	

DRAFT REPORT further considered.

Paragraph 10, *agreed to*.

Paragraph 11.—Amendment proposed in the third line to omit the words "might very reasonably," in order to insert the words "ought to," instead thereof—(Mr. *Campbell-Bannerman*).—Question, That the words proposed to be left out stand part of the paragraph—put, and *negatived*.—Question put, That the words "ought to" be there inserted.—The Committee divided:

Ayes, 6.	Noes, 4.
Mr. Freshfield.	Mr. Bruce.
Mr. Campbell-Bannerman.	Mr. Staveley Hill.
Mr. Majendie.	Mr. Leeman.
Mr. Brocklehurst.	Mr. Laing.
Mr. Morley.	
Mr. Goldney.	

Paragraph further amended, and *agreed to*.

Paragraph 12, *agreed to*.

Paragraph 13, amended.—Question, That the paragraph, as amended, stand part of the proposed Report—put, and *negatived*.

Paragraphs 14 and 15, *agreed to*.

Paragraph 16.—Amendment proposed, after the word "adopted" in the fifth line, to insert the words "provided the Railway Companies agree to treat silk, and articles manufactured with silk, as exempted from the Act"—(Mr. *Freshfield*).—Question proposed, "That those words be there inserted."—Debate arising.—Motion made, "That the Committee do

adjourn until Monday, 18th of this instant June."—Question put, "That the Committee do now adjourn."—The Committee divided:

Ayes 6.	Noes 6.
Mr. Freshfield.	Mr. Bruce.
Mr. Campbell-Bannerman.	Mr. Staveley Hill.
Mr. Majendie.	Sir Charles Adderley.
Mr. Brocklehurst.	Mr. Cavendish Bentinck.
Mr. Morley.	Mr. Leeman.
Mr. Goldney.	Mr. Laing.

Whereupon the Chairman declared himself with the *Noes*.

Question put, That the words "Provided the railway companies agree to treat silk and articles manufactured with silk as exempted from the Act" be there inserted.— The Committee divided:

Ayes, 6.	Noes, 6.
Mr. Freshfield.	Mr. Bruce.
Mr. Campbell-Bannerman.	Mr. Staveley Hill.
Mr. Majendie.	Sir Charles Adderley.
Mr. Brocklehurst.	Mr. Cavendish Bentinck.
Mr. Morley.	Mr. Leeman.
Mr. Goldney.	Mr. Laing.

Whereupon the Chairman declared himself with the *Noes*.

Another Amendment proposed, after the said word "adopted," to insert the words "the chairman of the associated companies (who is a Member of your Committee) having assured the Committee that the companies will on no account assent to the total exemption from the Act of silk and silken articles"—(Mr. *Campbell-Bannerman*).—Question put, That those words be there inserted."—The Committee divided:

Ayes, 4.	Noes, 8.
Mr. Freshfield.	Mr. Bruce.
Mr. Campbell-Bannerman.	Mr. Majendie.
Mr. Morley.	Mr. Staveley Hill.
Mr. Goldney.	Sir Charles Adderley.
	Mr. Brocklehurst.
	Mr. Cavendish Bentinck.
	Mr. Leeman.
	Mr. Laing.

Another Amendment proposed, to leave out all the words after the said word "adopted" to the end of the paragraph, in order to add the words "and consequently they do not feel called upon to recommend any present legislation"—(Mr. *Freshfield*).—Question put, "That the words proposed to be left out stand part of the paragraph."—The Committee divided:

Ayes, 3.	Noes, 9.
Mr. Brocklehurst.	Mr. Freshfield.
Mr. Morley.	Mr. Campbell-Bannerman.
Mr. Goldney.	Mr. Bruce.
	Mr. Majendie.
	Mr. Staveley Hill.
	Sir Charley Adderley.
	Mr. Cavendish Bentinck.
	Mr. Leeman.
	Mr. Laing.

Question put, "That the proposed words be inserted, instead thereof."—The Committee divided:

Ayes, 10.	Noes, 2.
Mr. Freshfield.	Mr. Morley.
Mr. Campbell-Bannerman.	Mr. Goldney.
Mr. Bruce.	
Mr. Majendie.	
Mr. Staveley Hill.	
Sir Charles Adderley.	
Mr. Brocklehurst.	
Mr. Cavendish Bentinck.	
Mr. Leeman.	
Mr. Laing.	

Paragraph, as amended, *agreed to*.

Paragraph 17, *agreed to.*

SCHEDULE, *agreed to.*

Question put, "That this Report, as amended, be the Report of the Committee to the House."—The Committee divided:

Ayes, 11.	Noe, 1.
Mr. Freshfield.	Mr. Morley.
Mr. Campbell-Bannerman.	
Mr. Majendie.	
Mr. Bruce.	
Mr. Staveley Hill.	
Sir Charles Adderley.	
Mr. Brocklehurst.	
Mr. Cavendish Bentinck.	
Mr. Leeman.	
Mr. Laing.	
Mr. Goldney.	

Ordered, To Report, together with the Minutes of Evidence, and an Appendix.

LIST OF WITNESSES.

Monday, 23*rd April* 1877.

Mr. James Allport - - - - - - - - - - - - p. 1

Monday, 7*th May* 1877.

Mr. James Allport - - - - - - - - - - - pp. 13. 22

Mr. Charles Yardley Dean - - - - - - - - - pp. 14. 18

Mr. Frederick Morrison - - - - - - - - - - p. 17

Mr. Joseph Hicks Buckingham - - - - - - - - - p. 18

MINUTES OF EVIDENCE.

Monday, 23rd April 1877.

MEMBERS PRESENT:

Sir Charles Adderley.
Mr. Cavendish Bentinck.
Mr. Brocklehurst.
Mr. Maurice Brooks.
Mr. Bruce.
Mr. Campbell-Bannerman.
Mr. Freshfield.
Mr. Staveley Hill.
Sir Henry Jackson.
Mr. Leeman.
Mr. Morley.
Mr. Salt.
Sir Edward Watkin.

SIR HENRY M. JACKSON, BART., IN THE CHAIR.

Mr. JAMES ALLPORT, called in; and Examined.

Chairman.

1. I UNDERSTAND that you are now prepared to submit to the Committee, in a tabulated or convenient form, the result of the experiment which, on your suggestion, has been tried since the Committee last met?—Yes. Since last Monday of course the time has been short, and I have been obliged to take two months working to obtain fair averages, and the result of the experiment by the various companies tabulated here, embraces the Caledonian, the Furness, the Great Eastern, the Great Northern, the Great Western, the Glasgow and South Western, the Highland, the Lancashire and Yorkshire, the London and North Western, the London and South Western, the Chatham and Dover, the Brighton, the Midland, the Sheffield, the Macclesfield Committee, the Sheffield and Midland Committee, the Trent, Ancholme, and Grimsby, the Oldham, Ashton and Guide Bridge, the Metropolitan, the North British, the North Eastern, the North London, the North Staffordshire, and South Eastern. The result of the whole is, that during the 17 months, there have been goods insured to the extent of 12,609,431 *l.*

2. You spoke of two months. Is that the aggregate of the two months, or of the whole 17 months?—It is the actual result of the 17 months. We took the two months for another purpose. These are the actual figures.

Mr. *Staveley Hill.*

3. Is it from the 1st of August to the end of December?—Yes, to the end of December. The paper I am now reading from gives the actual figures, the amount of goods insured, the amount of premium received, the claims paid, and the claims pending. The amount of premium received is 7,401 *l.* 6 *s.* 8 *d.*; the amount of claims paid 2,831 *l.* 2 *s.* 9 *d.*, and the amount of claims pending, 1,796 *l.* 1 *s.* 10 *d.*, making a total of claims paid and pending of 4,627 *l.* 4 *s.* 7 *d.*, out of 7,401 *l.* 6 *s.* 8 *d.*

Mr. *Staveley Hill*—continued.

Chairman.

4. The one small exception which I notice is particularly marked. That return embraces the period between the 1st of August and 31st December?—Yes, that is so.

5. That excepted Company, the Lancashire and Yorkshire, are for how long? — For 12 months only.

6. During 12 months they received 126 *l.* 9*s.* 6*d.*, and had to pay 26 *l.* 10 *s.* 6 *d.*?—That is so; I was going to mention this one exception, but the rest are for 17 months; it does not disturb the general result at all. I assume that these claims pending will have to be paid; some may come off; but still, for the purpose of the argument, I assume that they will have to be paid; and it leaves a reserve insurance fund in the hands of all the companies of 2,774 *l.* 2 *s.* 1 *d.* That is the result of the experiment. If the Committee desire to see them, I have the two months' returns.

Mr. *Staveley Hill.*

7. Which of these figures are based on the two months?—The whole of these figures that I have given you are correct, with the solitary exception of the last, claims pending, which may not amount to the whole of that; but all the rest are absolute figures in the periods named.

Mr. *Bruce.*

8. These figures and losses refer exclusively to the

Mr. *Allport.*

23 April 1877.

Mr. *Bruce*—continued.

the goods that were insured?—To the goods that were insured; I have each separate company here for the two months.

Mr. *Morley.*

9. Do you give us the articles?—The articles are set out.

Chairman.

10. In these two months' analyses that you have made, you go with some detail into the characters of the risks, and so forth?—Yes; I have got the two months absolute figures from the Caledonian, the Furness, the Great Eastern, the Great Western, the Great Northern, the Glasgow and South Western, the Highland, the North Western, the Lancashire and Yorkshire, the South Western, the Brighton, the Midland, the Sheffield, the Macclesfield Committee, the Sheffield Midland Committee, the Oldham, Ashton, and Guide Bridge, the North Eastern, the North Stafford, and the South Eastern. Perhaps I had better give the figures of each company.

Mr. *Morley.*

11. As to the articles?—I will give you the articles.

Mr. *Morley.*] Keep it to the points that will be most important; because I submit that we do not care to know whether the South Eastern or the Great Northern did particular things, except so far as it bears on the articles insured.

Chairman.] Mr. Allport knows these figures and we do not; therefore he would probably refer to them to bring out the salient points.

Mr. *Morley.*] We have the gross sum of 12,000,000 *l.*; is it material to see what portion was insured by the Furness Company?

Chairman.] Probably not, with respect to Furness; but it might be material to know what the Midland and North Western did.

Mr. *Staveley Hill.*] In these tables which Mr. Allport has in his hand, there seems to be one set of facts very valuable to us, namely, on which of the companies insured there have been losses. For instance, turning my eye to the London and North Western, I see that they insure the brittle articles at a loss.

Chairman.

12. In bringing to the notice of the Committee those points which you consider most important, I am sure I need not ask you to bear in mind the observation of the honourable Member for Bristol?—I think if you would allow me to take three or four of the more important companies, it would practically give you the results you require; and in that case I would take the articles which probably are most in the minds of the Committee. There are three to four items, silks, glass, china, jewellery, pictures.

13. Can you tell us anything about wages?—I cannot give you the wages the companies pay for special services. I will take the article of silk.

14. Does it include silk entirely or mixed silk?—Silk and silk goods. Silk goods that have been insured.

Mr. *Brocklehurst.*

15. Raw silk?—Raw silk.

16. Also mixed goods?—It embraces all that has been insured. We, as carriers, cannot tell whether it is mixed or not. If a man brings a parcel to us, and says, "It is silk, and I want to insure it for 100 *l.*," we take it.

Mr. *Morley.*

17. He does not tell you whether it is raw or manufactured?—No; but I fancy the great bulk of the silk carried will be raw silk by the three companies I am going to mention, the North Western, the Midland, and the North Stafford. In the period mentioned the North Western have insured 2,723,000 *l.* I leave out the odd figures. The Midland have insured 869,000 *l.*; the North Stafford have insured 1,300,000. The premiums received were: North Western 1,430 *l.*, Midland 459 *l.*, the North Stafford 650 *l.*; and the claims paid were, 141 *l.* by the North Western, 125 *l.* by the Midland, 100 *l.* by the North Stafford, making a total of 366 *l.* This includes the claims paid, not the claims in abeyance. That, apparently, shows a profit of 2,173 *l.*; but during the whole of that period not one of these three companies has had what may be called a serious claim, a serious accident of any kind. One accident to any one of these three companies, which might occur at any time, would not only sweep away this 2,000 *l.*, but the whole of the carriage receipts we have had for two years.

Chairman.

18. So might a single fire to a fire insurance office?—No doubt.

Sir *Charles Adderley.*

19. You did not give us claims pending?—We have not abstracted it, but I think you may fairly take claims pending to be 30 or 40 per cent. of the claims paid.

Chairman.

20. Have you got the return made out for glass and china?—Yes; I will come to that directly; but I think I had better exhaust the silk first. We have concluded that this is not a sufficient result to enable anyone to judge of the success or otherwise of the experiment. A man insures his house, and goes on paying for 25, 30, or 40 years, and does not discontinue the insurance because he has had no fire; but there is no doubt in the world that in the ordinary working of railways, and the doctrine of chances, the time must come when we shall all meet with serious losses in any particular item of carriage mentioned in the Carriers Act, more especially with regard to silk. There are a variety of causes that might lead to: a fire, which of course would be most disastrous; and it is no uncommon thing for the companies to take two or three truck loads of silk in a single train.

Mr. *Brocklehurst.*

21. You are aware silk is an article that is inflammable?—To a certain extent; but if a fire takes place in the straw in which the silk is packed, and the ends of the hanks are charred, or at all scorched, I am sure the honourable Member will understand that the whole is destroyed.

Mr. *Brocklehurst.*] I have had a good deal of experience in damage of silk, but I never knew of damage of silk by fire on a railway; and

Mr. *Brocklehurst*—continued.

and if a fire were to take place, it would be almost a minimum damage.

Chairman.

22. Perhaps we should get on a little faster if you would give us the details of the four things, and consider the result afterwards, because so many arguments will apply to all or some of them?—Then I could not do better than give these returns, because I have given you only the result of the three large companies with regard to silk; but with the other articles I should have to give you the details as they appear in these papers which I hold in my hand. First, the Caledonian have insured for the two months for watches, clocks, and time-pieces, 5,261 *l.*, and received 2 *l.* 16 *s.* 9 *d.* premium, and have had no claim. The London and North Western have insured 113,844 *l.* for the two months; they have received in premiums 65 *l.* 6 *s.*, and paid in claims 23 *l.* The Midland have insured 99,488 *l.*; they have received 56 *l.* 2 *s.* in premiums, and paid 12 *l.* The Great Northern have insured 3,147 *l.*, and received in premiums 1 *l.* 17 *s.*, and have paid nothing. The North Stafford have insured 1,709 *l.*; they received in premiums 19 *s.* 3 *d.*, and paid nothing. The Great Western have insured 4,672 *l.* and received 3 *l.* 0 *s.* 3 *d.*, and paid nothing.

23. Would you now take us to glass and china in the different railways for the two months?—I think I mentioned in my evidence before, that we should separate glass and china into two classes, first class and second class, and I have glass under two classes; that is the 1 *s.* per cent. and the 2 *s.* per cent., and china in the same way.

24. Do you recollect what the difference was between the 1 *s.* and the 2 *s.* in the glass insured?—I had better perhaps read the whole list, including everything. Class 1 includes stamps, maps, silks, furs, clocks, time-pieces, plated goods, glass of all kinds, except what is named in Class 2, china for manufacturers, coins, gold and silver, manufactured and unmanufactured, jewellery from or to manufacturers, watches, gold and silver plate, hand-made lace, engravings, trinkets, bank notes, title deeds, writings, bills of exchange, notes, or securities for payment of money, English or foreign. Then in Class 2, plate-glass, in plates exceeding 36 feet superficial area; stained, silvered, and bent, china, not from manufacturers; precious stones, set or unset; jewellery, not from or to manufacturers; pictures and paintings. That is the whole of Class 2. In the matter of glass, the Caledonian insured 95 *l.* in Class 1, for which they received 2 *s.*; in Class 2, 465 *l.*, and received 13 *s.* 9 *d.* There was nothing paid. The Great Eastern insured 181 *l.* in Class 1, 628 *l.* in Class 2; received premiums 2 *s.* 3 *d.* and 17 *s.* 6 *d.*, and paid nothing. The Great Western insured 1,289 *l.* and 3,328 *l.* On the first they received 1 *l.* 6 *s.* 3 *d.*; on the second 5 *l.* 3 *s.* 6 *d.*; and they paid 5 *l.* 15 *s.*

Mr. *Staveley Hill.*

25. Was that 5 *l.* 15 *s.* on the two classes?—It was on the second class that they paid. There was no loss on the first. The Great Northern insured 50 *l.* for which they received 6 *d.*, and 3,575 *l.* for which they received 4 *l.* 12 *s.* 6 *d.*; and they paid 9 *l.* 10 *s.* The London and North Western insured 2,327 *l.*, premium 1 *l.* 10 *s.*; 4,652 *l.*, premium 7 *l.* 14 *s.* On the first they paid 9 *l.* 10 *s.*, and on the second 41 *l.* The Lancashire and Yorkshire insured 422 *l.*; the premium was 5 *s.* 6 *d.*; and 160 *l.* in the second class, premium 5 *s.* 6 *d.* They paid 6 *l.* 10 *s.* 6 *d.* and 22 *l.* 5 *s.* 6 *d.* The Midland insured 4,879 *l.* and 44,744 *l.* In premiums they received 3 *l.* 3 *s.* 9 *d.*, 56 *l.* 10 *s.* 6 *d.*; and paid 30 *l.* 4 *s.* on the first, and 112 *l.* 8 *s.* 10 *d.* on the second. Practically, we received 60 *l.*, and paid away 142 *l.* or 143 *l.* The North Eastern insured 3,772 *l.* and 4,645 *l.*, receiving 2 *l.* 17 *s.* 6 *d.* premium, and 6 *l.* 18 *s.* premium; they paid in claims 65 *l.* 7 *s.* 2 *d.*, and 23 *l.* 6 *s.* 8 *d.*

Mr. *Staveley Hill*—continued.

Mr. *Morley.*

26. You have not given us the North Staffordshire. There would be a good deal of glass there, would there not?—I should think not. The whole of their insurance is only 2,532 *l.*; the premium is 1 *l.* 14 *s.*, and for the two months they do not appear to have lost anything.

Mr. *Staveley Hill.*

27. I suppose Stourbridge glass comes mostly by the Great Western?—That is chiefly window glass.

Mr. *Staveley Hill.*] Oh, no; there is a great quantity of table glass.

Chairman.

28. Did I catch from you that the North Stafford have not lost anything in glass for two months?—The North Staffordshire had nothing insured in the second class; it was all in the first.

29. Now, how does china come out?

Mr. *Morley.*] I suppose china, "not for manufacturers," means special articles of value?

Yes, foreign articles many of them.

Mr. *Staveley Hill.*

30. But also they may include china sent to a manufacturer. You recollect Mr. Daniell's evidence; if I remember right he said it was unfair to them, because their men were just as good packers as the manufacturers' packers?—We have dealt with china, and, in fact, glass and china, but especially china, as valuable articles that are sent by private people. The trade have had no complaint that I am aware of since we commenced the experiment.

Chairman.

31. Now, would you give us the results of china with the same companies as you have given us the glass?—The Caledonian appear only to have insured 150 *l.* in the two months, for which they received 4 *s.*, and lost nothing. The Great Eastern insured 29 *l.* in Class 1, for which they recived 6 *d.*, and 172 *l.* in Class 2, for which they received 4 *s.*; and they have paid 20 *l.* The Great Northern insured 3,358 *l.* in Class 2, nothing in Class 1; received 3 *l.* 10 *s.* 6 *d.* premium, and paid 22 *l.* 13 *s.* The London and North Western insured in Class 1, 889 *l.*; in Class 2, 2,338 *l.*, and received 13 *s.* and 2 *l.* 14 *s.* in premiums; they paid 7 *l.* on the first, and 19 *l.* 10 *s.* on the second. The Great Western, in Class 1, insured 1,804 *l.*; in Class 2, 1,927 *l.*; received premiums, 1 *l.* 7 *s.* and 2 *l.* 1 *s.*, and paid 22 *l.* 1 *s.* 6 *d.* The Lancashire and Yorkshire insured

Mr. *Alplort.*

23 April 1877.

Chairman—continued.

insured 89 *l.* and 365 *l.*; received 1 *s.* and 16 *s.*, and they do not appear to have paid any claim, The Midland have insured in Class 1, 22,228 *l.*, and in Class 2, 9,809 *l.*; they received 11 *l.* 15 *s.* 10 *d.* and 11 *l.* 18*s.*; they have paid 57 *l.* 10 *s.* and 62 *l.* 14 *s.* 4 *d.* The North Eastern, 54 *l.* and 3,909 *l.*; they received 1 *s.* and 3 *l.* 18 *s.*, and they have paid 4 *l.* 15 *s.* The North Staffordshire have only insured in Class 1, 18,344 *l.*; they have received 12 *l.* 14 *s.*, and paid nothing.

32. I suppose those returns do not enable you to say whether the claims paid in those instance were in respect of breakage or of loss?—It is chiefly breakage; the great bulk of it is breakage; and we feel that the experiment has been a failure as regards glass and china.

33. On account of the breakage?—Yes.

34. Are the returns significant with regard to pictures?—The total amount of pictures is very small indeed. Without enumerating the various companies, the whole of them for the period of 17 months have insured 267,544 *l.*

35. What did they receive for that?—£. 306. 3 *s.* 8 *d.*, and paid 259 *l.* 12 *s.* 1 *d.* There is very little balance left there.

36. Can you tell us whether that loss was from abstraction or injury?—Nearly the whole of it is injury.

37. Do you happen to know whether it was in one big lump?—I am reminded that it does not include the loss of the Great Western. The Great Western have a claim now amounting to 700 *l.*; but as the company does not think it is a fair claim, we thought it better not to include it; but when this claim is paid, under any circumstances, it will far more than absorb this balance. Nevertheless, I do not think that the public or the picture dealers have availed themselves of the experiment at all to any extent, because 267,000 *l.* is nothing when I remember that Mr. Agnew, of Manchester, stated that he sent pictures to the value of two million pounds a year by railway; and that is one man only.

38. Then he has not availed himself of it to the extent to which he might have done?—And no one else, apparently.

39. Now furs?—Furs I have included in the silks; it is not an important item.

40. Have you any special return for hand-made lace?—That is very small. I see the Caledonian have insured 200 *l.*, and received 2 *s.*; the Great Eastern nothing; the Great Western nothing, the Great Northern, 300 *l.*, and received 3 *s.*, and nothing paid. Machine lace is not in the Carriers' Act. The London and North Western have only 1,163 *l.*, for which they received 13 *s.* in the two months. The Lancashire and Yorkshire insured 72 *l.*, for which they received 1 *s.*; the London and South Western insured 10 *l.*, and received 3 *d.*; the Great Western have insured nothing; the Midland nothing. I do not think it is an item that need occupy your time.

41. On what material has there been the most insurance?—Silk. I see 12,000,000 *l.* have been insured by all the companies; in the article silk alone the three companies (the North Western, the Midland, and the North Stafford) have insured close upon 5,000,000 *l.* (4,892,000 *l.*); and if you take out all the other companies' silk, it will come to probably more than half the total amount insured.

Mr. *Morley.*

42. You have not any record from the other companies?—Yes, I have; I can give you the two months' silk, I have given you the 17 months of the three larger carrying companies, but the Caledonian have insured 7,477 *l.*

43. Can you give us the result in any two months of the entire insurance for silk by all the companies; I merely want to know what proportion of the whole insurance is composed of silk; I suppose we may take it that all the other companies besides the three companies will bring it up to 6,000,000 *l.*?—I should think so; it will not take long; I can give you the exact amount of silk insured; Caledonian, 7,494 *l.*

Chairman.

44. For the two months?—For the two months.

45. And you are going to give us all the companies in silk?—Yes.

Mr. *Brocklehurst.*

46. Can you eliminate out of that 4,900,000 *l.* what proportion will be silk in a manufactured state?—That we cannot tell.

Mr. *Morley.*

47. It may be raw silk or manufactured silk?—Yes.

Chairman.

48. Or furs?—No, we have kept furs separate, but it is a small item. These are the figures for two months for all the companies: 7,474 *l.*, 13,950 *l.*, 14,447 *l.*, 17,444 *l.*, 3,419 *l.*, 320,404 *l.*, 14,976 *l.*, 3,706 *l.*, 1,061 *l.*, 869,390 *l.*

49. Which is that?—The Midland; 37,762 *l.*, 1,400 *l.*, 2,978 *l.* 2,304 *l.* 172,093 *l.*

50. Which is that?—North Stafford; 618 *l.* There is evidently a mistake in these returns; I did not make them myself. If you will take the Midland out, and add up all the rest, and then add 869,000 *l.* to it, it will give you the final result for the 17 months.

Mr. *Morley.*

51. You will have to divide the 869,000 *l.* by 8½?—If you will eliminate the 869,000 *l.*, add the rest together, then multipy it by 8½, and then add the Midland 869,390 *l.*, that gives the final result

Mr. *Staveley Hill.*

52. £. 6,088,586?—Out of that 6,088,586 *l.* the three companies have had 4,892,000 *l.*

53. Leaving about 1,200,000 *l.* for the remainder?—For all the rest of the companies; that is the result for the 17 months. The total is 6,088,586 *l.* insured by all the companies, of which the three companies I have named have insured 4,892,000 *l.*

54. Putting it in round figures, the whole insurance is 6,000,000 *l.*, of which the three companies have insured five-sixths?—That is about it; and silk forms just about one-half the total insurances effected.

Chairman.

55. The result of the insurances effected by those three companies for silk showed a very large profit. Can you give us the details for the two months?—The Caledonian has paid nothing, the Great Eastern has received 7 *l.* 1 *s.* 3 *d.*, and paid 5 *l.* 10 *s.*; the Great Western received 7 *l.* 18 *s.* 1 *d.*,

Chairman—continued.

18 *s.* 1 *d.*, and paid nothing; the Great Northern received 12 *l.* 4 *s.* 9 *d.*, and paid 7 *l*; the Glasgow and South Western received 1 *l.* 4 *s.* 9 *d.*, and paid nothing; the Lancashire and Yorkshire received 13 *l.* 3 *s.* 8 *d.*, and paid 19 *l.*; the London and South Western received 2 *l.* 5 *s.* 6 *d.*, and paid nothing; the Sheffield Company received 19 *l.* 13 *s.* 9 *d.*, and paid nothing; the Macclesfield Committee have received 14 *s.*, and paid nothing; and the North Eastern received 1 *l.* 11 *s.* 6 *d.*, and paid nothing; the North British received 1 *l.* 4 *s.*, and paid nothing: the South Eastern received 7 *s.*, and paid nothing; practically showing that the great bulk of the silk insured has been with the three companies I have named, the North Western, the Midland, and North Staffordshire.

Mr. *Morley.*

56. I should like to ask for the same return in glass, and also in china, to show what the proportion of insurance has been in the two or three particular articles. Have you got those in a narrow compass?—I have not; I have them all here.

Mr. *Brocklehurst.*

57. What is the total premium paid upon the 6,000,000 *l.* insured?—I have already given the items.

58. We have got it on the three companies?—I have read the items out, but I have not got them added up. The three companies have received, as stated at first, 2,539 *l.*, and have paid 366 *l.*

Chairman.

59. Leaving a gross profit to the companies of 2,173 *l.*?—Yes.

60. Now, as to promissory notes, title deeds, and things of that class; have you any returns as to those?—We have not. Of course in the two months we took the most likely articles to be insured. I do not think title deeds are very much insured.

61. Securities, bonds, and debentures?—I think all that class go through the post.

62. You have no record?—No; I think you will find the Post Office has absorbed nearly the whole of that.

63. Have you any return of bullion; gold and silver?—I have "Gold and silver, and plated articles," and I think, as a witness has stated, that a large quantity of bullion that goes by train is not insured. You will find that bank clerks usually travel with a box or bag of bullion; they pay their fare, and take charge of it, but do not insure it. There is very little bullion insured.

64. Do these returns which you have put in contain the item of "bullion"?—Yes; "Gold, silver, and plated articles;" Caledonian, 6,252 *l.* insured; premium received, 3 *l.* 9 *s.* 6 *d.*; lost, nothing. Furness Railway, 150 *l.* insured; premium, 1 *s.* 9 *d.* The Great Eastern, 11,796 *l.*; premium, 17 *l.* 4 *s.* 6 *d.*; lost, nothing. The Great Western, 24,868 *l.*; premium, 15 *l.* 11 *s.* 4 *d.*; paid, nothing. Great Northern, 2,661 *l.*; premium, 1 *l.* 9 *s.*; paid, nothing Glasgow and South Western is a small item. The Highland Railway, 2,227 *l.*; premium, 1 *l.* 6 *s.* 6 *d.*; paid, nothing. The London and North Western, 83,826 *l.*; premium, 43 *l.* 8 *s.*; lost, 20 *l.* 10 *s.* Lancashire and Yorkshire have merely insured 1,139 *l.*, for which they received 12 *s.* 3 *d.* The

Chairman—continued.

London and South Western, 4,742 *l.*; premium, 3 *l.* 11 *s.* 6 *d.*; no loss. The Midland is taken for the 17 months, again; the others are all for the two months. The Midland in the 17 months have insured 224,085 *l.*, receiving 131 *l.* 8 *s.* 8 *d.*; we have paid nothing, but we have a claim outstanding for a sum of 70 *l.*

65. That is on the whole 17 months?—Yes. The North Eastern insured 7,708 *l.*, for which they received 4 *l.* 7 *s.* 3 *d.*, and they paid nothing.

66. As I have got your figures, the only amount claimed in respect to "gold, silver, and plated articles," in the two months, has been 20 *l.* 10 *s.*?—The amount paid, not claimed.

67. There is a claim against the Midland some time or other in the 17 months of 70 *l.*?—Yes.

Mr. *Staveley Hill.*

68. Would it be fair to take one-sixth of the premiums as the amount paid to the other companies, and also to place one-sixth of the loss to their account. I find in round figures, one-fifth of the total amount insured by the three companies has been insured by all the other companies put together. That will give as the figure of the premiums paid to the other companies 426 *l.*, and the amount of the loss incurred 61 *l.* If that is right, the total amount of premiums paid to all the companies will be 2,965 *l.*, and the total loss 427 *l.*?—Paid; but there are many claims still outstanding.

Chairman.

69. Do you know whether the companies have advertised the terms upon which they agreed to insure? Do you think the terms of this experiment have been sufficiently published?—I think so; I think the trade has known it very well. This is the paper sent out by the Midland; I believe other companies have sent out similar papers, and placards have been put up at the stations.

70. Was the revised scale of rates printed in the monthly time tables published by the Midland Company?—No, we do not do that. The time table refers to the passenger traffic alone.

71. The answer to the question is, it was not printed in the time table?—We never do so.

72. You must excuse my reminding you that printed time tables published by many railway companies, and I think the Midland, were produced at the former inquiry, and everyone of them contained a reference to the law as laid down by the Carriers Act, and information was given as to the rate at which, and the terms upon which, companies would convey goods?—Yes, by passenger train. The great bulk of this is done by goods trains; we do not publish in our monthly time tables anything relating to goods traffic.

73. Have you got a monthly time table in the room?—I have not. In anything insured by a passenger train they would be guided by the monthly time table, but in this case we took the precaution of sending this circular to the trades affected by the experiment.

74. Inasmuch as the monthly time tables used to contain a reference to the Carriers Act, and to the immunity conferred by that upon the railway companies, do not you think that if that reference had been altered by referring to the arrangement made in this Committee, you would

Mr. *Allport.*

23 April 1877.

Chairman—continued.

have had a very much larger amount of insurances effected?—I do not say that it was not in the monthly time table, but whatever would appear there would simply apply to passenger trains.

Mr. *Morley.*

75. As it was before?—Precisely as it was before. We give special notice to the trade, but you cannot do that with passengers. You merely publish a time table for all the world to see or not see; but when you are dealing with a manufacturer or trader, you send special notice of any alteration in the rates. I have no doubt all who were really interested as manufacturers or merchants in these articles were advised in the way I tell you. I know that the article of printing alone comes to a very heavy item. We have not got what ours cost, but I heard the Great Western manager state this morning that the printing cost 130 *l.*; that is one of the large expenses we have incurred in making this known, and I would call attention to that item as very largely diminishing this apparent profit. Of course, if the Great Western spent 120 *l.* or 130 *l.* in printing, I may say we must have done the same, and so must the London and North Western, the Great Northern, the Lancashire and Yorkshire, and the other companies. You will find these additional expenses, which it is most difficult to get out, and I have not attempted it, would go very far to absorb the apparent profit that has been made.

76. Printing in connection with this matter?—Purely in connection with this matter; and I can give you another case, to show you what kind of expenses are incurred. The London and North Western mentioned to me this morning that a picture having been insured, they sent a special messenger with it from London to Dublin; that involved very considerable expense, and I know in similar cases we have done the same thing. If most of those extra expenses were got out, and placed to the debit of this account, it would make it look very different to what it does now.

Chairman.

77. What was the value of the picture?—I think 5,000 *l.*

78. It was made the subject of special contract, no doubt?—It was.

79. Then it does not help our inquiry?—These expenses are very serious with all the companies.

80. Does your investigation of the result of the experiment enable you to say whether there has been any gradual increase in the amount of the insurances effected since the experiment began?—There is, although it forms a very small portion of the actual silk and china and glass carried, yet it is a very much larger amount than was ever insured before. Take our own case; you will find I stated on a previous occasion that in the three years we had only received about 100 *l.* for insurance.

81. Your old rates prohibited it?—It has been gradually increasing.

82. That is to say, in all probability the last month would give a larger return than the first month?—I cannot say positively, but I have no doubt it is so.

83. What view do you wish to present to the Committee of the result of this experiment as

Chairman—continued.

far as you have brought it down?—I think the result of it is that we must make an alteration as regards china and glass, but that, with all the other articles it would be prudent to go on as we are without any alteration. That might be carried on three, four, or five years, and we would undertake to make no alteration except those two articles without giving 12 months' notice.

84. Do you speak for all the companies?—I think I may speak for all the companies. We really feel we have not had sufficient time to bring about the result of averages. It is all very well to say we have only paid a certain sum, 300 *l.* or 400 *l.* or 500 *l.* during 12 months for silk, but I am quite sure if it was carried on for 10 or 15 years (and all offices will tell you that they can get at no fair result under from 15 to 20 years), we should be able to judge in that time what the average might be taken to be. I think all the companies are really earnestly disposed to meet the public in this matter, and the only exception I would make is with china and glass and pictures above the maximum of 500 *l.*, as I mentioned in my former evidence. I think we should insure pictures up to 500 *l.* the same as anything else. Above that I think it ought to be by special arrangements.

85. I am bound to say the results that you have shown us, as far as china and glass are concerned, are very disastrous for the companies?—Yes, and I think there will be no injury done to anyone if there is an alteration made, because this does not affect what you may term the trade of the country. It does not affect the china manufacturers at Stoke or Worcester, or whereever the trade may be. It has more to do with such articles as bent glass, and valuable articles. Perhaps a single thing packed in a box or hamper and improperly packed, gets broken. It may be worth, intrinsically, only a few pence, and yet may have a fancy value put upon it of 100 *l.*, and be insured for 100 *l.*, and if it is not very securely packed, the chances are it gets damaged. It is to that description of china and glass that I would apply my remarks as to its being necessary to make some change in the rate.

86. As I understand your evidence, it comes to this. You do not propose that an Act of Parliament should be passed, limiting the rate at which you are entitled to charge for insurance, even if glass and china are excepted, but you propose to continue this present *quasi* agreement between the railway companies and this Committee for a further experimental period?—Yes. I do not wish to disturb the present Act of Parliament at all.

87. But you would give an undertaking to the public through this Committee that these reduced experimental rates shall be continued as long as some alteration is made about the glass and china?—We will undertake not to make any change excepting in those two articles, without giving 12 months' notice, which would give ample time for Parliament to interfere in case of any of the companies charging any excessive rate.

88. And you do not see your way to agreeing with us to put that in an Act of Parliament?—We have not had sufficient experience. I certainly am not prepared to say that after five or six or seven years further experience we might not

Chairman—continued.

not find it necessary to give the notice even for silk. As I said before, supposing an axle breaks with a truck of silk, anyone who has had the least experience of the result of an accident of that kind knows how the goods are spread all over the line; bales of goods are run over and smashed, and the damage in one single accident might be sufficient to absorb not only any fund that we could create, but all the carriage that had been paid. And there is this remarkable fact that I should like to mention to the Committee. Take the three companies, the North Western, the Midland, and the North Stafford, carrying in round numbers 5,000,000 *l.* of silk. What have we received for the carriage of that enormous quantity? Something like 6,000 *l.* or 7,000 *l.* The whole of the silk that we have carried during 17 months has yielded between 6,000 *l.*, and 7,000 *l.* for carriage. Why I would rather never carry a bit of silk on the line again.

89. But you made a handsome profit out of it?—Not if you are to take a series of years. If you were to take the last 15 or 20 years, you would find there has been no profit.

90. Your account shows a profit of 2,100 *l.*?—No, I beg your pardon. From that 2,000 *l.* you must, first of all, deduct the heavy expenses we have incurred, which will constitute a very serious item with all the companies.

Mr. *Morley.*

91. What expenses?—Special expenses; not only the printing that I have spoken of.

92. Extra care?—Sending people with any large and valuable consignment; all that, of course, involves cost to the companies. That does not refer to silk, however, because we do not send anyone with silk.

93. Have you had losses outside the list of those that you have enumerated?—Oh, yes.

94. Losses connected with the carriage of goods?—Yes.

95. I want to know whether the amount you have given us really represents all the demand made upon the companies as compensation for loss?—If you will refer to the evidence I gave, I think you will find the claims paid by the various large companies. I think the Midland payment in one year was between 40,000 *l.* and 50,000 *l.*, and the London and North Western 70,000 *l.* or 80,000 *l.* You will find that the payments made by the various companies for loss and damage to goods amount to a very large sum.

Chairman.

96. You were telling us about the silk; do you remember evidence being given that several companies did guarantee the safe arrival of silk, charging a special silk rate for it; I suppose the premiums received during the experiment have been paid, in addition to and quite outside of that special arrangement of which we heard before?—Not in addition; all the insured silk has been carried at the low rates, and all the uninsured silk has also been charged at the low rate. We had before this experiment a rate at company's risk, and a rate at owner's risk, but all has been charged at the lower rate, and the insurance paid upon that portion which has been insured.

97. Would you, in making this proposition, be willing to leave mixed goods out; that would satisfy a very large and active section of the railway companys' opponents, and as far as I collect from your evidence, it would not make any material difference, because I think you said the great bulk of the silk insured has been raw silk, and has not included such things as Mr. Buckingham told us of, silk neckties, umbrellas, and so forth?—I was very careful in reading the evidence of these gentlemen, and it was upon that evidence I suggested on a former occasion that articles made up partly of silk and partly of other material, should be exempt if the silk did not exceed 30 per cent. I think that that is a very liberal offer, and one that we are quite prepared to carry out.

98. Would not there be a great practical difficulty in ascertaining where to draw the line?—We should have to depend upon the senders, we could not tell ourselves; it would be impossible for any railway official to do so.

99. Would it not be better worth your while to be liable?—I should not like to pledge the companies to that, because a very small introduction of cotton, say two per cent., or one per cent., would meet the case, and consequently we should be liable to a very large amount of claim.

Sir *Charles Adderley.*

100. Does your limit of value of 5,000 *l.* apply only to pictures?—With reference to this scale of insurance, anything beyond 500 *l.* would be by special arrangement.

Chairman.

101. Would you see any objection to a merely temporary Act of Parliament; as it suggests itself to my mind, the difficulty in the way of your proposition is, that there are no parties to the bargain to see it carried out; do not understand me to suggest that the railway companies would not carry it out with the very best good faith; but still there might be room for misunderstanding on the subject?—I do not think there would, for the trade are pretty well alive to this subject, and if we were to depart from a pledge given through me by these various companies to this Committee, we should very soon hear of it.

102. I do not suggest that any one would depart from it; I am only suggesting there might be a misunderstanding; would not it be better dealing with the thing to have an Act of Parliament only for a limited term of years; you might then, as to articles which you are compelled to insure at a maximum rate, strike out that clause in the Act of Parliament; would not that alter your view?—No, we would much rather leave the Act of Parliament as it is, and let us go on with the experiment. I do not ask for the companies to be exempt from any liability under Clause 8.

Sir *Charles Adderley.*

103. Would not the Act of Parliament call public attention to the subject much more effectively than any advertisement?—I think not; I think the proof that public attention has been called to it, is the fact that there is so large an amount of silk insured; I have never yet heard of a trader who was not aware of this arrangement.

104. You want to experiment for four or five years in order to get a fair average?—Yes

105. What would be your objection to an Act for five years?—If you pass an Act of Parliament

Mr. *Allport.*

23 April 1877.

Sir *Charles Adderley*—continued.

ment now, putting these rates in, I am very much afraid you would never get that Act of Parliament repealed, however injurious it might be to the companies.

Chairman.

106. Supposing your suggestion of an experiment should be adopted again, you say four or five years would be the minimum, and then you should not alter them without notice?—I would not object to 18 months' notice, so that it would cover one or even two Sessions.

107. What rate would you propose for glass and china; would you give a higher rate than the present one?—No, not a higher rate than the law allows, but we shall have to take a higher rate than that embraced in the paper. China is chiefly in the second class, and the rate of insurance is 2 *s.* per cent.

108. At that rate the railway companies in the aggregate undoubtedly have sustained losses?—Quite so; we have not determined what that ought to be advanced to, but certainly, judging from the figures presented to us, that 2 *s.* ought to be increased 3 *s.* or 4 *s.* or more, to cover the loss. The companies have lost more than double the amount of premiums they have received, but after all it has been so small an amount of the traffic that is sent by the companies, that it really would not interfere with this arrangement.

109. Did you notice that notwithstanding this heavy loss on glass and china, the aggregate result of the 17 months' experiment is that the railway association have made a gross profit of a very considerable amount; something approaching 5,000 *l.*?—Yes, that only shows as I said, that the amount of these valuable articles, china and glass, carried, is very small.

110. The result of the present experiment has been, supposing the railway companies had opened a separate insurance account, which they were to carry on with the joint risk, they would have made a gross profit of very nearly 5,000 *l.*, without spending very much money?—That is without any extra expenses, and without deducting claims in abeyance.

Mr. *Morley.*

111. Even admitting the expense to be considerable, and to absorb the balance of profit, do not you think there is a degree of annoyance in connection with the transaction amounting to 12,000,000 *l.*, which is barely compensated for by this little miserable system of insurance?—That would imply that we should do away with it altogether.

112. It does really. I am amazed to hear that talk of legislating where such miserable results come out, because you cannot conceive what a great deal of annoyance there is connected with the transactions of this kind. A London house sends a bale of goods worth 60 *l.*, there are 10 *l.* worth of silk goods in it, and they are exposed to all kinds of annoyance if that bale is lost, because a portion of it is silk. I am sure that an alteration in this matter would be hailed with great satisfaction by the whole of the trade of the country?—I have no doubt if the railway companies charge nothing, it would be hailed with great satisfaction.

113. You must not turn it off with a joke, because it is a very important subject, and there is a great deal of annoyance connected with it?—I

Mr. *Morley*—continued.

do not think it can be a subject of annoyance, because I am very much surprised to find that those very gentlemen who came here and said how perfectly satisfied they would be with those small charges have not availed themselves of the opportunity we gave them to insure.

114. £. 6,000,000 is a large item?—There were people who came from Marshall & Snellgrove's, and from other places, sending a very large number of parcels every day, and yet I find that they have not availed themselves of this opportunity, although we have met them very fairly; therefore I cannot conceive that it can be very much of an annoyance.

Mr. *Brocklehurst.*

115. What has Mr. Agnew done?—Nothing. I do not think he has insured a picture, although we have met him in every possible way. Although he sends pictures of the value of 2,000,000 *l.* sterling every year, he has not availed himself of it.

Mr. *Morley.*

116. I should like to ask if the Midland Company will receive a box of silver at their branch office unless it is packed in the office?—We are obliged to reserve to ourselves the right of inspection. We do not inspect goods that are sent to us from well-known houses; but we are so subject to fraud. It is essentially necessary, if a stranger comes to our office and presents a box and insures it as being bullion, we must know that it is a *bonâ fide* transaction.

117. With reference to articles made of mixed material, are you not prepared to offer that they shall be exempt, that is to say, they shall not be treated as silk goods?—I think that 30 per cent. of silk ought to satisfy the trade; I think it is a very liberal offer. At present, if there happen to be 10 *l.* worth of silk in a parcel of the value of 100 *l.* or 1,000 *l.*, we are not liable, but give the trader the option of sending up to 30 per cent. (300 *l.* of the 1,000 *l.*); we should be liable for the whole of the 1,000 *l.* I really think that ought to be satisfactory to the trade.

118. There are large and very rapidly increasing quantities of goods manufactured by the process of weaving with cotton and silk?—I am afraid they do not put that per-centage of silk in those articles.

119. They do what the public require, I have no doubt. What would you call those, silk or cotton?—Practically, nearly the whole of them manufactured would be exempt with 30 per cent. of silk, and I do not make that offer without making very full inquiry, because I know several of the manufacturers who have mixed goods, and as a rule they do not put 30 per cent. of silk in them.

Chairman.

120. May I just give one point on the notes. I think I am right in saying, after this Committee adjourned two Sessions ago, you altered the scale of charge by allowing an insurance for 25 *l.* at 3 *d.*?—We did.

121. I remember a correspondence which I saw between you and some tradesmen on the subject, in which you adopted that suggestion. Would you continue your offer?—I would suggest the continuance of the 3 *d.* for the 25 *l.* I do not think we should depart from this scale, having adopted

Chairman—continued.

adopted it. There is one thing I have forgotten to state, and that bears on the question of expense, that with regard to all insured goods, we advise the parties by post, and the postage is a very considerable item. Out of this 3 *d.* a penny goes at once in postage, and that, on the whole of this 12,000,000 *l.*, will amount to a very considerable sum.

Mr. *Staveley Hill.*

122. There may be more than one advice?—There may be more than one advice. One gentleman stated that the expense was 2 *d.*, and 2 *d.* out of 3 *d.* leaves a very small margin. Perhaps you will allow me to reserve one point about the 3 *d.* scale.

123. I know the request, upon which you acted, sent to you from Coventry, and the suggestion made was, if you require the insurer of a small valued parcel to pay at the rate of 50 *l.* 6 *d.* being the minimum, you put a considerable temptation in his way never to issue anything for less than 50 *l.*, and so you lay yourselves open to fraud?—I should be very sorry to impute that motive to a Coventry manufacturer.

124. That was the way in which it was put?—I will discuss that 3 *d.* question with the companies; I should recommend that we should leave it as it is.

Chairman.

125. I think we should have in detail the exact terms of the proposal that you make on behalf of the railway companies?—I will put it in writing and hand it to you.

126. If you will not have an arrangement which is to operate for four or five years, and which is to ensure to the benefit of the public, its terms ought to be very clearly stated, so that nothing should be left out?—I will take care that a written proposition is put in.

127. I do not think the Committee could deliberate with much advantage on the desultory proposition that is now before us; we should like to have it put extremely carefully in writing, especially if it is to operate for such a long period?—It shall be done.

Sir *Charles Adderley.*

128. Are the railway companies you have mentioned all represented in the association?—All the companies I have given.

Mr. *Brochlehurst.*

129. Do I understand, so far as silk is concerned, the carriage and insurance is to go on as at present?—Yes.

130. For a number of years?—Yes.

Mr. *Morley.*

131. But you suggested an alteration; this 30 per cent.?—I have suggested that in my evidence previously.

132. It has not been acted upon?—I forget whether it has or not; I do not think it has.

133. What do I understand it to be?—Goods in which silk does not exceed 30 per cent.

134. You mean in a parcel worth 100 *l.*?—No, I do not mean that; I mean in some textile fabric.

135. A mixture of silk and cotton woven together?—Yes.

136. There must be 30 per cent. of silk, or else it will not be exempt?—No, it will be exempt under 30 per cent.

Mr. *Morley*—continued.

Mr. *Brochlehurst.*

137. I do not see the distinction why the silk should be mixed with cotton in the fabric. If you sent a parcel with 70 per cent. of cotton or other goods, and 30 per cent. of silk goods, it comes to the same thing; there is the value?—Not exactly. The argument was that these articles are very cheap; you may have 30 *l.* of silk; it is a valuable commodity; but when you come to mix silk with cotton, it is a very cheap production as compared with silk goods.

138. But the value of the silk is there all the same, whether in a manufactured or an unmanufactured state?—It is perfectly true. You may have 500,000 *l.* of silk and cotton mixed up together, but it does not follow that you are to take silk, because it is in a bale, worth 500,000*l.* for no insurance.

139. I fail to see the distinction; so long as you have 30 *l.* of silk in a parcel of the value of 100 *l.*, I fail to draw a distinction why one should be exempt because it is manufactured, and the other should not be exempt?—If we are not careful, it might come to this, that if 25 *l.* of silk was sent alone that would be exempt.

140. In one case you have 70 *l.* of other goods with it?—Supposing you send 25 *l.* of pure silk.

141. Does it not leave your proposition as an absurd one?—I was taking the evidence given by the trade, and I believe certain articles were produced before this Committee, neckties, and what not, showing that the silk mixed with the fabric was very small, and yet the total value of the article was charged to insurance.

142. But these neckties must be so much the more valuable by the quantity of silk?—Perhaps you will put it that the articles are very much deteriorated in value by the mixture of cotton with the silk. What I say is, we will exempt all textile fabrics not containing more than 30 per cent. of silk.

143. You would be exempt from liability?—No, the other way.

144. Then you make yourselves liable in the first instance for 30 per cent. of silk?—If it is worked up with other commodities.

Mr. *Freshfield.*

145. How would you deal with cravats that are made up?—We should, of course, depend upon the declaration that we receive at the time.

146. You would take that declaration?—We must take that; we have nothing else to get at, and then, in the case of a claim, the sender would have to prove his case. Supposing that goods were damaged, he has to prove that there was silk in those articles not exceeding 30 per cent.

Chairman.

147. If a shawl had 25 per cent. of silk in it and were lost, you would be liable as though it were not in the Act at all?—Exactly.

148. If on the other hand it had 35 per cent., you would be exempt if it were not insured?—Yes.

149. You do not propose to pay any portion of the loss?—No.

Mr. *Allport.*

23 April 1877.

Mr. *Freshfield.*

150. And the owner must prove that in case of loss?—Yes.

151. How would you do in the case of silk materials?—The same process would have to be gone through.

Mr. *Campbell-Bannerman.*

152. Do you apply the same rule to the general body of goods in a bale irrespective of the fabric or material?—No; that is what the honourable Member for Macclesfield has been speaking of. It must be silk worked up into other articles.

153. Supposing a bale is not worth 100 *l.* altogether with 20 *l.* of silk goods inclosed in it, the existence of these silk goods would not vitiate the claim on account of the other goods?—If not insured, certainly.

154. Although practically it is a separate entity altogether?—Yes.

155. Still if there is a small quantity of silk in the bale that vitiates the whole claim?—Certainly it would.

156. Would you apply your 30 per cent.?—You mean if there were 20 *l.* of silk in a piece of goods entirely silk, not manufactured together with cotton.

157. There might be cotton in it too, but if there were silk to the value of 20 *l.* in a bale of goods containing all sorts of different articles?—That is pure silk in one article.

158. Yes?—We would require insurance.

159. For the whole bale?—No, you need not insure the whole bale. If you insure the silk, it is sufficient, because the manufacturer is not bound to pay for the cotton goods. Supposing a man sends 10 pieces of cotton goods and one piece of silk in a bale, the 10 pieces of cotton goods, worth 50 *l.*, he need not insure, those we are liable for; but if there is one piece of silk worth 20 *l.*, he must insure that silk.

160. Supposing he sends a bale containing 50 articles, and one of those articles is silk, or there is silk in its composition, unless he goes through the formality of declaring the existence of that article in the bale, and insuring it, his claim for the whole bale is vitiated?—No, I think not. I do not think a lawyer would advise his client in that way; that supposing there happened to be 20 *l.* of silk in a bale containing 100 *l.* of goods not in the Carriers Act, the company would be exempt from the payment for the 20 *l.*, but not for the others.

161. I was asking not as a point of law, but as to the practice of the companies in the matter?—I do not think the companies would resist the claim for the other articles.

162. You mentioned printing as a considerable expense; I presume that has arisen from the initiation of the new system?—These things must be kept constantly printed; they very soon get exhausted; and looking at the enormous district, such companies as the London and North Western and the Midland cover, there are many thousands of these documents sent out, and that will be a constant source of expense.

163. Once it is generally known and acted upon, there will not be the same necessity for making it public?—We find in practice that you have to renew these things from time to time; besides, inasmuch as we advise the people with reference to every insurance, postage would be a material item.

Mr. *Campbell-Bannerman*—continued.

164. With regard to the articles in Clause 2, these are mostly fragile articles, and the loss arising from them, especially in the case of glass and china, occurs not from abstraction, but from breakage in the passage?—Yes.

165. Do you take any means of inspecting the packing in cases?—I am not aware that we do; I should hardly think that we do. We could not in practice, I think.

166. These being very few in number, and their value being small?—The figures show that they cannot be very much in their total amount.

167. Do you believe there are many instances of such things being sent?—Oh, yes.

168. So that it would be a difficult thing to examine the packing in so many cases?—I think so.

169. When articles are insured, who do the companies advise by post?—Our own people.

170. And these advices are sent by post, and not by the railway itself?—Not by the trains, but by post; that is a detail which the goods managers have arranged.

171. Do you usually, in sending intimations of that sort to your own people, use the post rather than your own trains?—To a large extent we do; in the case of information of this kind, we should use the post; the trains would not serve very well.

Mr. *Bruce.*

172. Where an insured parcel is sent, have you to advise all the companies through whose hands it passes?—That is a matter of detail which I cannot answer myself, but I should think not; I should think it would go through with the invoices in the secure van, which would not involve the necessity of advising the companies interested.

173. You have not made an estimate of what the extra expense of this insurance would be?—No, I have not.

174. Do I suppose you take it that although the apparent total profit is 2,700 *l.*, a good deal of that is not real profit?—A very large sum.

Mr. *Staveley Hill.*

175. Would this meet your distinction with regard to silk, as to what should be included in the articles of value. "Silk in a manufactured or unmanufactured state, including articles of dress; and if wrought up with other materials to a greater extent than 30 per cent."?—That would meet my view; we will have a meeting and consider it.

Mr. *Morley.*

176. I want to press Mr. Allport upon that point of the 30 per cent. You have given evidence that the Midland Company had silk insured to the extent of 869,000 *l.*, and that the only claim you have paid is 125 *l.* Is it therefore worth while to attach that to your conditions?—We have paid that 125 *l.* out of a total of 399 *l.* that we have received as insurance premium.

177. You undertook to guarantee the safe delivery of 869,000 *l.* worth, and the only amount of claim made against you was 125 *l.* That being so infinitesimal, is it not worth while to divest this transaction of the vexation and difficulty which there is about this 30 per cent., to say if there is in a bale of goods of the value of

Mr. *Morley*—continued.

of 50 *l.*, 10 *l.*, or 15 *l.* or 20 *l.* of silk, it should all go?—Certainly not. I would not be at all prepared to do that. I would rather go on as we are, and run our risk of hostile legislation.

178. I may state the trading class will not be content to go on as at present?—I cannot help that.

179. I may say for myself, sending out frequently 3,000 packages a day, we will not submit to the annoyance of insuring, and therefore are constantly liable to great risk. I am not aware of any loss that we have had during the year, and therefore we do not insure?—Then there cannot be any annoyance.

180. Looking at the statement you have made, I am quite sure when this statement comes to be put before the public or the House of Commons, they will say it is not worth while to justify such a departure from ordinary practice?—I would rather not carry silk at all. The whole sum that we have received for carriage and insurance and everything would be entirely absorbed if one single truck of silk came to grief.

181. But you have not had a single case for 17 months?— But within my experience we have had very serious claims for silk.

Mr. *Cavendish Bentinck.*

182. When the Committee sat previously, Messrs. Marshall & Snellgrove came here with a long tale of complaint of how they had to go to Lloyd's to insure?—Yes.

183. What business have they done with you since this plan has been adopted?—As far as I can gather, they have done very little, although we have met them most amply; we thought we had satisfied everybody.

184. Have you met them upon the same terms as they obtained at Lloyd's?—They stated that they paid 1 *s.* per cent. to Lloyd's, and 6 *d.* per cent. brokerage; now we are carrying these goods for a shilling.

185. Are you carrying these goods at a shilling per cent.?—Yes.

186. And under the previous arrangement, they had to pay 1 *s.* 6 *d.*?—According to their own evidence.

187. It being a favourable arrangement to them, do you say they have not done business with you?—I cannot understand that they have to any great extent.

Chairman.

188. Some of us who have inquired a little into this matter, understand that the railway companies would gain a great boon in the matter of peace and quietness, if they would drop these mixed goods. You fully understand that, and yet with that as a temptation you are resolute in saying you think it would be hard upon you?—I do.

189. You would rather run the risk of litigation, which would necessarily arise to prove this question of 30 per cent., than forego it?—Certainly.

Mr. *Morley.*

190. Our customers have to pay. It is a very difficult thing to tell what the proportion of silk is. There are many cases in which I would defy people to be able to say off hand whether there is 20, or 30, or 40 per cent., and inasmuch as the mixed goods form a very considerable

Mr. *Morley*—continued.

proportion of the silk goods carried (I am not raising the question about purely silk goods), I say it would be an immense advantage if we could be saved from the annoyance of having the question raised of whether there has been 20, or 30, or 40 per cent. of silk?—The way I understood you to put it was that if there was a piece of silk in a bale with 40 or 50 pieces of cotton, if the silk did not amount to 30 per cent. of the whole, it should go free.

191. I asked you if that was your proposal, that 10 *l.* worth of silk goods in a bale of the value of 40 *l.* should be dealt with as a bale of cotton goods as to insurance?—I do not think that would be fair, because it would be practically purely silk goods to a very large extent, and it would throw a responsibility upon the companies which I should not be prepared to accept.

192. I should very much doubt whether the proportion would be considerable; no doubt you are very much better acquainted with it than I am, but still it was not without the fullest consideration that this offer of 30 per cent. was made?———

193. The companies may depend upon it, they would greatly conciliate the feeling of unsettledness that there is, and I am persuaded there would be a larger amount of insurance?—I am very much astonished to find it has not been adopted to a larger extent than it has after the evidence that was given by several gentlemen before this Committee. We are treating them more liberally than they were treated by Lloyd's.

Mr. *Brocklehurst.*

194. You have special rates for the carriage of silk as compared with general merchandise; for instance, the carriage rate for silk goods is considerably higher than it would be for cotton?—Yes.

195. In cases where you carry 70 *l.* of cotton goods and 30 *l.* worth of silk goods, do you charge the special silk rate, or do you charge the rate for general merchandise?—If we have a package of silk we charge the silk rate. Suppose we receive two bales, one of silk and one of cotton, from the same person, we should charge the cotton at the cotton rate and the silk at the silk rate.

196. Supposing you receive one bale containing three-fourths cotton and one-fourth silk should you charge that at the silk rate or at the cotton rate. In case a general consignor delivers into your care a packet of mixed goods of which 30 *l.* worth will be composed of pure silk, and the consignor insures with you for that 30 *l.* worth of silk, should you charge the silk carriage rate or the general merchandise?—That would be a small package, I suppose, from a house such as Marshall & Snellgrove's. We have a special scale of charges for their parcels; it is a sort of medium charge, because they put what they like into their parcels. I have not got our scale of charges here, but it is a scale that has been adopted for years, and I am not aware that there has been any complaint. Mr. Oakley reminds me that they are in what we call the fourth class, called "Drapery;" that is an intermediate class between cotton and the fifth class, in which you find silk.

Mr. *Allport.*

23 April 1877.

Mr. *Allport.*

23 April 1877.

Mr. *Brocklehurst*—continued.

197. Then you charge it in the fifth class. When you say this insurance question has not been taken up, I am informed by some of the large wholesale houses in Manchester that they do not take this question up because of this complaint, that they say the carriers charge them a silk carriage rate, whereas four-fifths of the package or bale may be composed of cotton?—I doubt that very much. Say a package comes from Phillips or Watts; if it is a bale of ordinary goods, it would be charged a fourth class rate; if it were purely silk, it would be charged at the silk rate.

198. I mentioned this because it will be well worth your consideration whether you can alter that carriage rate. As it is, there are very great complaints on the part of these wholesale consignors that they have to pay a silk rate in all cases where any silk for which they have insured is in the parcel?—I am very much surprised to hear it; I know most of the Manchester houses; I know Sir James Watts very well; I came down with one of their chief men from London on Friday last, but I never heard any complaint of our rates from them.

Mr. *Leeman.*

199. I should like to ask a question. Your aggregate figure here of the declared value of goods that have been insured is twelve and a half millions?—Yes.

200. You have told us you are greatly disappointed that that figure is not very much larger, after the evidence that was given here a year and a-half ago?—Yes.

201. There are few of the gentlemen who came here and gave evidence, as I understand, that have insured at all?—I won't say not insure at all, but to so trifling an extent, you may say they have not availed themselves of it.

202. Appreciably, they have not availed themselves of the arrangement?—No, they have not.

203. Can you give the Committee an idea of what, in your own mind, the 12,600,000 *l.* might have been if your suggestion had been availed of?—It is a very difficult thing, but it must be patent to every one that it cannot be one-tenth or one-fifteenth of the goods conveyed in that class.

204. Which you might have expected the parties would have insured?—Certainly it is not one-tenth.

Chairman.

205. You do not say that as to the watch trade?—If the watch trade is not worth more than these returns show, it is a very poor one, and is not worth consideration.

Mr. *Leeman.*

206. Take bullion; has bullion, which has been carried largely from Birkenhead to London, been insured at all?—No, it has not.

207. You have been asked about silk, and some suggestions have been made to you not to irritate, but to conciliate. What is the aggregate amount of rates for carriage, severed altogether from insurance; you have said just now that you would rather not carry silk than carry it in the way that has been suggested; what is the aggregate rate which has been received on this large amount?—For the four or five millions which the three companies have carried, the receipts have amounted to about 6,400 *l.*

208. For rates?—For carriage alone.

209. Do not you think that justifies you in saying, unless you have protection, that is a rate of carriage which is not sufficient?—Nothing would justify our continuing to carry silk, in my opinion.

210. Do you happen to know that the Great Western Company had a fire in one of their trucks containing a large quantity of silk?—I do.

211. Upon which they received nothing?—No.

212. And the drainage was very large?—It was; I do not know exactly the amount.

Mr. *Morley.*

213. Could you ascertain, before we meet again, from manufacturing houses, what is the probable proportion in these mixed articles of silk and cotton?—We have ascertained it from the manufacturers.

214. Does it amount to so large a proportion of silk goods carried as to make it essential to introduce this element of annoyance?—I think so.

Chairman.

215. Will you let us have, as soon as possible, the exact terms of your proposal in writing?—It shall be sent to you without delay.

Monday, 7th May 1877.

MEMBERS PRESENT:

Sir Charles Adderley.
Mr. Cavendish Bentinck.
Mr. Brocklehurst.
Mr. Bruce.
Mr. Campbell-Bannerman.
Mr. Freshfield.
Mr. Goldney.
Sir Henry Jackson.
Mr. Laing.
Mr. Leeman.
Mr. Majendie.
Mr. Morley.
Mr. Whitwell.

SIR HENRY M. JACKSON, BART., IN THE CHAIR.

Mr. JAMES ALLPORT, called in; and Examined.

Chairman.

216. HAVE you prepared for the Committee, in a tabular or other convenient form, the exact terms of the arrangement which, on behalf of the railway companies, you propose should be adopted for the period of five years mentioned at the last meeting of the Committee?—I did not quite understand that it was required in a tabular form, but I have it here in the shape of a circular, which has been issued to the trade with the alteration which I suggested in my former evidence. I should probably explain that that is a circular which I mentioned had been printed by the companies, and it has been sent out to the whole of the trade interested in the articles mentioned in that list. The plan that we adopted was to get a very large number of them printed; and we sent them to the stations with instructions to the station-masters to send them to every person interested in sending the articles included in that list; that, I find, has been done, and I think that the trade, if not every person interested, has received a circular of that kind.

217. You propose, I see, to leave Class I. pretty much as it was?—Yes.

218. That is what we know as the 1 *s.* per-centage rate?—That is what is known as the 1 *s.* per-centage rate.

219. Then you propose to strike out of Class II., items Nos. 1, 2, 3, 4, and 5, but to leave in it items 6 and 7, and to strike out item 8, which is, pictures and paintings?—Yes.

220. Then you propose, as I understand, to put those items which you have struck out of Class II. into a Class III.; a new class?—Yes, into a new class, and at a higher rate. As I said before, the glass and china included in Class II. really do not affect the trade, excepting to a very small extent. There is stained glass and bent glass; those, of course, do affect the trade, but to a very limited extent.

221. Would you tell the Committee at what rate per cent. you are willing to insure these articles which you have struck out of Class II. for the purpose of inserting them in the new Class III.?—It is not general glass; it is simply the small quantities that are sent that are exceedingly valuable. If you will observe, in Class I. there is glass of all kinds, except as named in Class II. The great bulk, I might say at least 95 per cent. of the glass and china carried, if not a larger per-centage, would be included in Class I. All the pottery trade, all the window glass, all plate-glass below a certain size, would be in Class II. With regard to stained glass and bent glass, and china not from manufacturers, which really means articles of *vertu*, we have not had a meeting to consider what rate will be charged for that. There is a difference of opinion, because some of the companies have lost by it. It is clear, from the returns that I gave, that if you had to double or treble the amount of insurance, the losses would more than absorb all that has hitherto been paid if the period I gave were a fair average. My own opinion is, that it should be something like 6 *s.* or 8 *s.* per cent upon those articles.

Chairman—continued.

222. That is a great deal higher than you mentioned last week?—If you observe my evidence, I did not commit myself to any particular figure; I said that to cover them from loss an additional 3 *s.* or 4 *s.* would have to be charged.

223. The difficulty we are in is this: What you propose to this Committee is not that it should recommend legislation, but that it should recommend the adoption of a proposal on the behalf of the railway companies in lieu of legislation for a time. You must let us know what the offer is in order that we may consider it; because we cannot fix it except by arrangement?—If I understand aright the question that has been raised, it is not as to these particular articles that any question has been raised, but as to trade articles. These are really so small in intrinsic value that I do not think that any question would arise. I am sorry that none of the other companies are represented here at present, but I think perhaps before you separate we shall have representatives of two or three of the leading companies here, and I am quite sure that the others would be bound by what we determine.

224. Your proposal is 6 *s.* as the maximum rate?—I think that would be about it.

Mr. *Bruce.*

225. Can you state what is the charge for insurance as the Act now stands?—It has been usual to charge 5 per cent. upon these things.

Mr. *Allport.*
7 May 1877.

Mr. *Allport.*

7 May 1877.

Mr. *Bruce*—continued.

You must bear in mind that in the Carriers Act there is no amount charged as a rule upon these articles. Up to the meeting of this Committee, two Sessions ago, 5 per cent. was charged; that means 5*l.* per 100*l.* value. To reduce that to 6*s.* or 8*s.* per cent. is a very large concession.

Chairman.

226. Are you prepared to suggest a figure for those classes?—I think the minimum would be from 6*s.* to 8*s.* per cent., but if you will excuse me for suggesting it, I think it is so small a part of the question that it need not interfere with your deliberations.

227. The President of the Board of Trade suggests through me that we cannot deliberate without having a figure; it is suggested that 6*s.* 8*d.* as being one-third of 1*l.* would be a good sum; do you concur in that?—I should not propose for a moment that pictures should be insured at that high rate; I think there must be

Chairman—continued.

something lower for pictures than for these fancy priced china and glass articles. There is also one point that I would mention. One of the Members of the Committee asked me whether it had not been customary to put the charges in our time tables; I did not for the moment remember, but I find it has been so, and that from the time that we undertook to charge this reduced scale it has been published in our time tables, although practically it refers chiefly to goods, and I find that most of the principal companies have also included it in their time tables. This is the ordinary passenger time table of the Midland Railway Company, and that is the way in which it has been done (*handing a time table to the Committee*). It has been in the time table from the period that we undertook to charge it.

228. You will get authority to deal with the matter for the association, both as to pictures and as to these articles of glass?—I will.

Mr. Charles Yardley Dean, called in; and Examined.

Chairman.

Mr. *Dean.*

229. I think you gave evidence on the former meeting of this Committee as representing the jewellery business?—I did. We are manufacturing jewellers.

230. I understand that your attention has been called to a statement made on the last meeting of the Committee, to the effect that the reduced rate arranged two years ago has not been availed of as much as was to have been expected from the evidence given by yourself and other witnesses, and that you wish to give this Committee some evidence upon that observation?—That is so.

231. What do you wish to say?—Our commodities come within the two classes, Class I. and Class II. In Class I. we are offered a boon in the shape of being enabled to insure our manufactures at 1*s.* per cent. It runs in these terms: "Jewellery to or from manufacturers, 1*s.* per cent." Then in Class II., there is an item, "Precious stones, set or unset," and that is subject to the 2*s.* rate. We have had a correspondence with the South Eastern Railway Company, which I think, under the circumstances, may be taken as a representative communication, seeing that a long time elapsed, and probably the other companies were consulted. They say that any article containing a precious stone, no matter what may be the relative value, must be subject to the 2*s.* rate. That practically comprises pretty nearly all our manufactures; and it would be rather an unusual occurrence for us to send a parcel of any value, which would not, under that definition, be subject to the 2*s.* rate. Inasmuch as we can now, and have for a long time past, insured at the rate of 1*s.* 6*d.*, it is really no boon, and no inducement to us.

232. You have insured at 1*s.* 6*d.* by means of the external policies that we heard of before?—Yes.

233. And on the view that the railway companies have taken of this schedule, you have been practically debarred from insuring with them, because you have to pay them a higher rate than you can get the same thing done for outside?—That is so.

234. You think that if they had adopted the

Chairman—continued.

view which you consider would have been right, that is to say, putting such jewellery as you described in Class I., there would have been a much larger insurance effected?—I should say so, undoubtedly; because with that experience before us, of course we have been unable to recommend it to our clients in the country, simply because I take it that if any parcel contained an article which was subject to the higher rate, and we had insured it at the lower rate, it would possibly vitiate the whole insurance.

235. What variation would you suggest in this list of items?—I should suggest that all our commodities should come within Class I.; I can see no reason why they should not. Our articles are not fragile, and it is a mere question of safe custody. It is a very rare occurrence for any actual damage to be done to the goods; the risk arises from abstraction, or from the parcel being lost in its entirety.

236. In regard to loss, you see no reason why, if an article is ear-marked as insured, it is not as likely to go safe if it is worth 10*l.* as if it is worth 100*l.*?—Quite so. I can see no reason for making our commodities subject to the 2*s.* rate, because that is what it practically comes to.

237. You only insure with Lloyd's, I believe?—Certainly.

238. And you would have insured with the companies if your goods had been in Class I.?—Certainly.

239. Has your firm done a considerable amount of insurance with Lloyd's since the Committee met?—Yes, a very considerable amount; but I am not prepared to say how much.

Sir *Charles Adderley.*

240. Supposing that you were insured in both, would Lloyd's or you recover the second insurance?—We should not think of insuring in both; we should either insure at Lloyd's, or we should avail ourselves of this new rate with the railway companies; but there is no inducement to avail ourselves of it now, because we should pay 6*d.* more to the companies.

241. Whatever the companies' insurance was, you

Sir *Charles Adderley*—continued.

you would not insure both with Lloyd's and the companies, would you?—No; I should say that we should have no reason for it. If we could insure for 1 *s.* we should not pay the 1 *s.* 6 *d.*

242. What is the rate of Lloyd's insurance on your goods?—One shilling; and 6 *d.* charges, so that we pay 1 *s.* 6 *d.* per cent.

Mr. *Cavendish Bentinck.*

243. That 1 *s.* 6 *d.* includes brokerage, does it not?—Yes, it includes every charge.

Chairman.

244. If you look at the railway companies' list, you will find that item 8 is, "Precious stones set or unset;" and that item 7 is, "Jewellery not to or from manufacturers or factories;" that would be merely on private jewellery?—Yes.

245. As to that, you would say nothing?—No, that would not affect the trade.

246. You complain that because you put a piece of a precious stone in a ring, that takes it out of Class I., and puts it into Class II.?—I may say that a diamond ring is not a fair representation of our case, because the value of the precious stone might be 2 *s.* or 3 *s.*, and the article itself in its entirety might be worth 10 *l.* or 12 *l.* There might be a very expensive article mounted up, in which there might be a cheap emerald worth only a few shillings.

Mr. *Morley.*

247. Do you make watches?—We do not.

248. I suppose this rule about precious stones would affect a watch in which there was a diamond in the works?—That would be a very strict construction of it.

249. There are keen lawyers who would make out a case?—Yes, by the terms of their communication to us, I should think it would come within it; it would be an arguable case.

Mr. *Cavendish Bentinck.*

250. Is turquoise considered a precious stone?—Yes.

251. And coral?—That is a moot point, I should think.

252. Then anything that had a turquoise in it would come within Class I.?—Quite so.

253. But anything merely mounted in coral would not come within it?—That would be a moot point.

254. On pearls?—A pearl would be a precious stone undoubtedly.

Sir *Charles Adderley.*

255. Would a ram's-horn snuff-box with a cairngorm in the top, be considered a precious stone?—I should hardly call that an article of jewellery at all.

Mr. *Bruce.*

256. I suppose you say that these articles are not liable to damage in transit?—Yes, providing they are packed properly; not as an article of china or glass is.

257. I suppose the reason of the distinction is that they contain, or may contain, very much value in a very small compass?—Yes, or the converse.

258. But that they are more likely to contain that than articles of an inferior description?—I think it can hardly be put in that way, of course it tells both ways; the larger value may be in the article, or the larger value may be in the stone.

Mr. *Bruce*—continued.

259. I was only wishing to ask you what your explanation is of the fact that this has been put in a different class. I presume it is owing to the fact that there may be articles of very great value in a small compass?—Of course I cannot speak authoritatively on the subject, but I take it that the notion in the minds of the railway companies is something like this: that an article of jewellery is easily abstracted, and certainly a precious stone is more easily abstracted as being in so small a compass. But if that observation be true, this observation is equally true, that they are more easily taken care of.

260. Of course that would depend upon circumstances. In a large number of articles I suppose it is more difficult to take care of small articles than of very big ones?—If the articles were of large value they would be paid very handsomely. It is not like a bale of silk, which is a very large and cumbersome article and difficult to move, but if it is a small article, worth 300 *l.* or 400 *l.*, it can be easily moved from hand to hand.

261. But then a bale of silk, I presume, would pay for its transit on its weight as well?—Quite so. I was only speaking strictly with reference to the question of insurance.

262. So that the question of size would be met in that way; but an article which is of very small compass, with very great value, is more liable to be lost or stolen, than an article which has very considerable bulk?—Yes, but if you will excuse my repeating my previous reply, it is more easily taken care of.

263. I am not so sure about that. Your observation applied, I think, to jewellery sent by the trade?—To or from manufacturers. They hold the word of promise, and they disappoint our hopes, because they put such a construction upon it, that we can send nothing,

264. These articles unless properly packed, are liable to damage?—I think you may take it as a matter of course, that they would be properly packed.

265. From the manufacturer thay would be properly packed?—Certainly.

266. But in the case of jewellery sent by private persons, there is not that security for proper packing, is there?—But the private persons would not send it to manufacturers, they would send to shopkeepers, and the shopkeepers, who would be qualified persons, would send it to us; so that I think it might be fairly assumed that persons who would insure under Class I. would be persons well qualified to pack the thing properly.

267. So that in your case it is as between the shopkeeper and manufacturer, and not as between the private individual and the shopkeeper?—No, they would pay the 2 *s.* rate, and that is not my case at all; I say nothing as to that.

Mr. *Goldney.*

268. Would it not be possible to consider it in this way; that in the case of a box containing precious stones, the stones might be abstracted and the box fastened up again?—Such a thing would be quite possible.

269. Is not that the element of the situation; supposing it were known that a box contained a certain

Mr. *Dean.*

7 May 1877.

Mr. *Dean.*

7 May 1877.

Mr. *Goldney*—continued.

certain quantity of diamonds, an expert thief might possibly open that box, abstract the diamonds, and fasten the box up again?—Yes, certainly; if the railway company were so negligent in their duty as to permit him; the jewellery itself might be abstracted as easily as the precious stones.

270. But that might be done, might it not?—It might be done in either case.

271. Supposing the intrinsic value of one was 100 times more than that of the other, might not the man expect to escape detection?—The railway company in that case, would have received 100 times as much for taking care of the one parcel as of the other.

272. Possibly; but I am drawing a distinction now between the 1*s.* and the 2*s.*; has it ever come to your own knowledge, that thefts have taken place in that way, where a box has been opened and it has been carried on to its destination without its contents, the contents having been jewellery?—Yes; I have detailed such cases on the last occasion. It could be done as easily with jewels as with jewellery.

273. Is not that an element for distinction in rates?—I should think certainly not. In fact, I am really at a loss to understand the reason why this rate is continued on the part of the railway companies.

Mr. *Brocklehurst.*

274. You say that you insure with Lloyd's, but not with the railway company?—That is perhaps hardly correct, because in a few instances we have insured with the company; but, as a rule, it is so.

275. And you insure with Lloyd's because the rate is less than with the company?—Yes; we pay 1*s.* 6*d.* there, and we should under this definition have to pay 2*s.*

276. In case of jewellery being lost, Lloyd's would pay you, I suppose?—I should hope so; but I have never had occasion to make a claim.

277. And I suppose it is understood that Lloyd's run all the risk of robbery or abstraction, or loss?—I apprehend that if a parcel is not delivered at its destination we should make a claim under the policy. Fortunately, we have never had occasion to make a claim, and I cannot say how it would be met.

278. But Lloyd's have no control over the management of the railway company, have they?—No; that is the advantage the railway company have over Lloyd's.

279. You ground your claim for a less rate of insurance with the company upon the fact that the company have the power of taking care of what you consign by them?—I should prefer to put my case thus: That I see no reason why we should not be put upon an equality with other manufacturers, who are able to avail themselves of an insurance of 1*s.* per cent.

Mr. *Whitwell.*

280. You said at your last examination that you continued to send jewellery and articles that you manufactured through the post; do you still continue to send it in that way?—Yes, as largely as ever by registered parcel.

281. Have you ever lost one of those parcels?—Never.

282. And you never insure them?—Never.

Mr. *Whitwell*—continued.

I regard a registered parcel as practically secure.

283. So that in fact registration is, from your experience, far cheaper than any system of insurance, either by Lloyd's or by the railway company?—There are a number of things which we could not register, and it becomes a matter of necessity either to send the parcel and run the risk ourselves, or to effect the insurance. For instance, the hours at which we can register letters are rather early, and we can send by the railway companies much later; but where we can send an article conveniently in a registered post packet, we regard it as practically secure.

284. But so far as the result goes, the 4*d.* fee for registration has been your cheapest insurance?—With most of our commodities we are enabled to avail ourselves of it.

285. Is it not your experience as a matter of fact, that the 4*d.* registration has been heretofore the cheapest insurance that you have paid?—Yes, where we can avail ourselves of it.

Mr. *Morley.*

286. With a packet sufficiently small to send by post, you find it generally more to your advantage to pay the 4*d.* than to pay the higher rate of insurance?—Yes.

Mr. *Whitwell.*

287. Do you speak only for yourself or for a great many in your trade?—I have no claim to attend here in a representative capacity; I only speak for myself and my own firm.

288. You do not know as to how far other traders have been affected by the rate which you complain of, and consequently have not insured?—I can only say, so far as my knowledge extends, that several of our clients continue to insure at Lloyds'.

289. Do several of those who send jewellery from London, continue to insure at Lloyd's?—I am unable to speak for any other firm than our own.

Mr. *Morley.*

290. You have perhaps seen a reference to the dispute about mixed goods of silk and cotton, in connection with this question; I suppose your objection is analogous to the objection made upon that subject, viz., that many of your articles having jewels in them, are brought into the second class, when, without the jewels, they would be rated in the first class?—Certainly; my objection is of a very similar character to the objection raised on the part of the members of the silk trade.

291. How long have you insured with Lloyd's?—The first policy that we took out was in October 1873.

292. And you have never had a loss?—We have never had a loss.

293. Have you ever had a loss by post?—Never.

294. And such things rarely occur, I suppose; you would say that if the railway companies had proper servants and did their business as other people do, they ought not to have losses by abstraction?—I should say most emphatically (and I should think the evidence which Mr. Allport gave upon the last occasion abundantly confirms that), that the commodities which they take care of arrive safely at their destination without loss. It is the fragile articles upon which they sustain the

Mr. *Morley*—continued.

the large loss, and I venture to think that railway companies should include all our goods in the 1 *s.* rate.

Chairman.

295. You think that liability to breakage or injury a valid reason for an increased rate of insurance, but you say that, so far as liability to abstraction is concerned, one class of articles, whether valuable or not, is just as liable to that as another?—I was only speaking with reference to jewellery and jewels, because if you take a large sheet of plate glass, that would not be so liable to abstraction as a small article.

Chairman—continued.

Mr. *Dean.*

7 May 1877.

Mr. Frederick Morrison, called in; and Examined.

Chairman.

296. Do you wish to make any statement to the Committee?—I simply have to hand this resolution to the Committee?—"At a meeting of wholesale dealers in silks, furs, lace, drapery, &c., held at the Offices of the Chamber of Commerce, situate at No. 145, Cheapside, London, on the 30th April 1877; It was resolved, on the motion of Mr. W. Debenham (Messrs. Debenham, Freebody & Co.), seconded by Mr. D. Evans (Messrs. D. Evans & Co.), that this meeting is of opinion that an Act of Parliament should be at once passed to amend the General Carriers Act of 1830, as far as regards silks, furs, and lace, by withdrawing them from the list of articles liable to insurance."

297. In other words, the body represented by this resolution are not content with the proposal made by the railway companies?—Decidedly they are not content.

298. In what respect?—They think that silks, furs, and lace ought to be eliminated from the Act.

299. They think that the railway companies ought to carry them at their own risk, without any additional rate of freight?—Precisely.

300. To any amount?—To any amount.

301. Simply striking them out of the Act?—Simply by striking them out of the Act.

302. Were you present at the meeting at which this resolution was adopted?—I was.

303. Was the proposal of the railway companies submitted to that meeting and discussed?—It was. The meeting was called in consequence of the evidence that was given by Mr. Allport, the manager of the Midland Railway Company.

304. They would rather that the Committee left matters as they are, or that they do not think that the proposal of Mr. Allport goes far enough?—They consider that Mr. Allport's proposal does not go far enough; in fact, they consider that these articles ought no longer to be liable to rates of insurance.

305. For the reasons given by Mr. Buckingham, I suppose, on a former occasion?—Yes.

Sir *Charles Adderley.*

306. What other trades besides those three were represented at that meeting?—No other trades. The resolution speaks on behalf of the silk mercers, and kindred trades.

307. They did not express any judgment upon the other subject?—None at all.

308. They were perfectly willing that other trades should pay anything?—They did not interfere with that question at all.

Mr. *Morley.*

309. I suppose the scale of charges and the papers put in by Mr. Allport were exhibited at that meeting?—Yes, they are perfectly well-known to the trade, and the evidence given by Mr. Allport was discussed at that meeting.

Mr. *Morley*—continued.

Mr. *Morrison.*

310. The chamber represents the various branches of the Manchester trade, does it not?—It does in London.

Mr. *Campbell-Bannerman.*

311. What is the body that you represent?—I am secretary of the National Chamber of Trade, comprising the principal wholesale and retail trades in London.

312. In London only?—In London only.

313. The Manchester warehousemen?—The Manchester warehousemen; those resident in St. Paul's Churchyard, and that neighbourhood.

314. And retail shopkeepers?—And retail shopkeepers; it represents the gentlemen who gave evidence at the former sitting of this Committee, Messrs. Marshall and Snelgrove, Messrs. Debenham, and other firms of a similar standing.

Mr. *Morley.*

315. I should like the Committee to understand that I am right in my impression that the National Chamber of Trade represents the various Manchester trades in cotton and silk, and the various articles referred to?—Exactly.

316. I suppose they were of opinion that the amount insured was so immense, and the loss occasioned so trifling, that they might as well clear themselves of any complication of charges by striking silk out of the Act; is that so?—Perhaps.

Chairman.

317. The Committee may recommend an alteration of the law in the direction of the proposal, or if it does not see its way to do that, would the body that you represent prefer that the law should remain as it is, or that the proposal made on behalf of the railway companies to exempt goods containing less than 30 per cent. of silk from the operation of the Act, should be adopted; was that considered at the meeting?—No, not at all; the resolution was absolute.

Mr. *Morley.*

318. Was it considered that the Carriers Act, so far as it applies to silk and lace, should be repealed?—Yes.

Mr. *Brocklehurst.*

319. Was it understood at that time that the trade would agree to pay something more than the rate at which general merchandise is carried?—They already do so. If a parcel of silk is declared as silk they pay an extra tariff.

320. Do you understand the object with which that extra tariff is paid?—I do not.

321. Do you understand that it is as a sort of insurance, that is to say, to ensure extra care being

Mr. *Morrison.*

7 May 1877.

Mr. *Brocklehurst*—continued.

being taken of these articles?—I am not aware of that. I know that as a fact silk goods, if they are declared to be silk, are charged an extra tariff for carriage, and unless they are insured their safety is not guaranteed.

322. Have you any idea with what object that extra rate of carriage is imposed?—None whatever.

323. May it not be to insure on the part of the carriers extra care in the carriage of these more valuable articles?—I should presume so; my own opinion would lead me to suppose that such would be the case.

Mr. *Brocklehurst*—continued.

324. Would the trade generally be satisfied with an extra rate of carriage, which should also cover insurance, rather than that those articles should be insured separately?—I could not answer your question directly upon that subject.

Mr. *Morley.*

325. You are deputed only to put in this resolution?—That is all.

Mr. Charles Yardley Dean, re-called; and further Examined.

Mr. *Dean.*

Chairman.

326. I understand that you wish to correct a statement which you made just now?—Perhaps you will allow me to correct my evidence on one point. In answer to the honourable Member for Bristol, who inquired whether we were manufacturers of watches, I said, "No;" nor are we, but we do sometimes deal in watches, so that I can answer the question, as I did answer it, authoritatively, with actual knowledge.

327. They do not call watches precious stones?—I have never had an opportunity of trying, but I should think they could claim to charge a watch as a jewel.

Chairman—continued.

328. I understand the statement to be that precious stones, set or unset, are to be in the second class?—That is so.

329. And therefore, no doubt, any jewel in the interior of a watch upon which the wheel turns would put it into the second class?—Yes, according to the construction by the railway company.

Mr. Joseph Hicks Buckingham, called in; and Examined.

Mr. *Buckingham.*

Chairman.

330. None of us have forgotten the very valuable evidence that you gave the Committee before; have you any observation to make as to what has been proposed at this meeting of the Committee?—With regard to the proposition of the railway companies, how are we to know whether there is 30 or 40 or 50 per cent. of silk in any article sent by railway? Take, for instance, the made-up cravat which a gentleman wears. It is composed of iron, steel, cardboard, muslin, cotton, and silk. Take, for example, a lady's robe, which consists of alpaca or merino, and five or six other articles. How are we to know what quantity of silk there is? Take a gentleman's hat. Who is to know what quantity of silk there is in it? I fail to see how you could possibly carry out the 30 per cent. rule. I am afraid it would leave the door open for a good deal of false declaration, and a good deal of fraud. Then there is another thing. I think you gathered at the meeting of the Committee which was held a short time ago that general merchants are placed in a very different category from silk merchants. Where a person is an exclusive dealer in silk, he must declare it, and the railway companies know thoroughly well when the articles are all silk or mixed; but when they are dealing with a general merchant, it often occurs that a certain quantity of that case or bale may contain some articles where silk is mixed in some of the goods, and they go out very frequently as general merchandise, although subject to the same rate as silk. Then I should like to put another case for the railway companies to consider, which is this: We travel all over the country with stock, perhaps travelling on the Midland Railway to-day in the morning, and upon the Great Northern Railway in the afternoon; in any case, perhaps, they will not stay more than a day in a town, and perhaps they are on the Great Northern to-day, and perhaps on the Midland to-morrow, and that happening day by day, how are they to carry on their insurance?

Chairman—continued.

Sir *Charles Adderley.*

331. Do you say that it is impossible to tell whether silk predominates in any article?—I think you would have very great difficulty in discovering it, because it is just the question that I have on now with the French Treaty Commissioners, and there they freely admitted that it is impossible to discover the full amount of silk in some articles.

Mr. *Bruce.*

332. Does not the manufacturer himself know?—The manufacturer of silk would know.

Sir *Charles Adderley.*

333. Can you mention any article in which it is impossible to say whether silk predominates?—In a cravat it is impossible to say, and I will go further than that even. In a lady's silk dress, or what is supposed to be a silk dress, in consequence of the change of fashion just now, frequently the silk portion is a very small portion compared with the other.

Mr. *Cavendish Bentinck.*

334. Do you mean to say that silk cravats are not made of silk?—I mean to say that a very large number of silk cravats contain a very large quantity of cotton. Nearly all the German manufactures sent to this country contain a very large proportion of cotton.

335. Then those are not silk cravats?—The face is silk; the cotton is hidden.

336. Do

Mr. *Cavendish Bentinck*—continued.

336. Do you mean that a cravat which is sold as a silk cravat is not made of silk?—A made-up cravat is not all silk, though some neckties are all silk.

337. If you go into any haberdasher's shop and you ask for a silk cravat, the cravat they would give you would be bound to be all silk, would it not?—They do not know any other.

Chairman.

338. Would it not come to this: Supposing the railway companies' proposition to be law, that is to say, that they would be liable if an article does not contain more than 30 per cent. of silk, and not liable if it does; and supposing that both you and the railway company know that you are sending a parcel, you, an expert, must be taken to know how much per cent. of silk there is in it; if it is plainly more than 30 per cent., you insure, and if it is plainly less than 30 per cent., you do not insure; but if it is near the line, then it is your duty (and you suffer if you do not discharge the duty) to be quite certain, and provide persons with means of proving, in the event of dispute, on which side the parcel was?—But it is not the duty of the merchant to do it; the merchant is not responsible.

339. But I am speaking of the dealer, the man who has to effect the insurance. I am assuming that you, a wholesale house, sent either to private persons or to retail customers a parcel containing, if you like, one of those cravats, the parcel being over 10*l.* in value. You must know, though the customer does not know, how much per cent. of silk there is in that parcel of cravats. If it is over the line, then you run the risk yourselves if you do not insure. If it is under the line, you need not insure. I say if it is near the line, then it is for you, before you determine to insure or not, to make it a matter of quite easy proof, in case you have to bring a claim against the company, whether it was within the limit or not?—Yes; but you can quite see how that would prevent trade from being carried on with the rapidity with which you would wish it to be done, as only manufacturers can tell the exact quantity of silk contained in the article; dealers or customers cannot know unless they are told.

Sir *Charles Adderley.*

340. Do you not think that a man who makes a thing which looks like silk, but which is not really silk, ought to incur the liabilities as well as reap the advantages of his position?—It is the same argument that is going on at the present moment with regard to the French Treaty; there we had two or three *procès verbals* issued against us, and I was summoned over to Paris three years ago when an expert was called in, and he declared that silk was not predominant. I opposed his claim, and the question was gone into so minutely that two scales were prepared, and afterwards two other experts, *bonâ fide* manufacturers, were called in (for frequently it happens that the expert is not an expert in the real sense of the word); one was the president of the Chamber of Trade there, and they both declared in my favour; and now I trust the Treaty Commissioners will see the absolute necessity of either putting on an *ad valorem* duty, or allowing the goods to pass in free.

Mr. *Morley.*

341. You mean Custom House duty, I suppose?—Custom House duty.

342. Do they charge insurance on the French railways?—No.

343. You are of opinion that there would be an immense amount of inconvenience and vexation caused by this 30 per cent. rule?—Very much so; we think it is a storm for nothing.

Mr. *Whitwell.*

344. You are no doubt conversant with the manufacture at Bradford of silk and worsted?—Yes.

345. Large quantities of worsted and silk are made at Bradford; is that 30 per cent. to be 30 per cent. in quantity, or 30 per cent in value?—I cannot answer that question; I know nothing about the Bradford manufacture at all.

346. But under this proposal, are you looking at it as 30 per cent. in value, or as 30 per cent. in quantity?—I look upon it as 30 per cent. in value.

347. Would it not be absolutely impossible for a dealer in a Bradford article of the kind to which I have alluded to know whether the manufacturer had put 30 per cent. in value in silk or otherwise, unless he had a certificate from the producer?—I should say that it was quite impossible for the dealer to know the exact amount; in my own branch of the trade it is impossible.

348. In the case of silk articles that are made up now, a great amount of labour has been used; for instance, in a lady's embroidered skirt, would it not be very difficult to ascertain what proportionate value the silk bore to the amount of labour as well as the other material that was put into the skirt?—I should think so.

Mr. *Campbell-Bannerman.*

349. Those articles which are made partly of silk are, of course, in no respect more liable to abstraction or loss than articles made of cotton or wool?—Not at all, excepting that you should bear in mind that all articles which are liable to insurance are more liable to be tampered with than those which are not.

350. But in themselves, of course, articles with some silk in them are not more likely to be lost in transit than are articles that are all of wool or cotton; are they more liable to damage?—I should have thought not; I cannot see how they can be.

351. So that there is no intrinsic ground of that sort, no reason based upon the constitution of the article itself, to justify a special rate of insurance?—No. In reply to that I would say that since we last met here, and I gave my evidence 17 months ago, I find that we have sent out, on the average, about a thousand parcels a week, and we have not had a single loss since that time.

352. Is it your experience that in sending goods by railway, even silk articles, are much liable to damage?—Not at all.

353. Supposing that you sent a lady's dress, mainly or entirely composed of silk, and you also send a dress made of some woollen material, the one would be just as liable, but no more liable, to damage than the other?—Quite so; and I do not think that for ten years we have ever had to make a claim upon a railway company for damage of any article which we have sent by rail. It is more the bother than the absolute loss, because,

Mr. *Buckingham.*

7 May 1877.

Mr. *Campbell-Bannerman*—continued.

as I say, we have not during the last seventeen months lost anything at all.

Mr. *Whitwell.*

354. Are you aware whether silk articles are liable to a higher rate of freight for carriage?—They are.

355. And a silk mercer, in fact, pays more for the carriage of his goods than a man who deals in coarse hemps?—He does.

356. How is that managed with regard to a person who deals in silks as well as in other articles, when he is sending a parcel away into the country?—I think that the general dealer gets the benefit of it over the silk merchant or dealer.

357. Do you think that railway companies are in the habit of charging the silk mercer and the silk dealer a higher rate for the goods carried?—Unquestionably. I think the difference is 50 *s.* the second rate, and 70 *s.* the third rate, and we are classed under the third rate.

358. To where?—To any part of the country, I believe. Proportionately, I believe, there are four classes.

359. And articles from the silk dealer are charged in the highest class?—In the highest but one; the highest would be precious stones and deeds and things of that kind.

360. So that in fact the silk dealer does in the first instance pay more for his article under the head of freight?—Quite so.

Mr. *Bruce.*

361. Does that apply to parcels as well as to goods sent by goods train?—It would not apply to packed parcels.

362. Does it apply to parcels sent by passenger trains at all?—I could not answer that question, because we so rarely send them by passenger train.

363. You do not think that there is in silk itself anything more liable to damage than there is in cotton or woollen materials?—Not at all.

364. Not even from wet?—Not at all; it is most exceptional for us to have any loss from wet.

365. You were talking about the proportion of silk on certain articles; generally speaking, those articles which you alluded to are made in great quantities, and sent in large quantities, are they not?—They are.

366. I suppose they are of certain types?—They are.

367. Is not the manufacturer in those cases perfectly aware of the amount of silk that he puts into them?—I think a manufacturer would be, as I have already stated. In my own particular business, where there is one manufacturer there are twenty warehousemen, and the manufacturer rarely comes into contact with the warehouseman at all.

368. What I mean is this: Taking the article of attire to which our attention has been so often called, viz., cravats, there are a great many made of that particular kind, are there not?—There are.

369. And I presume that it is perfectly well known in the trade what is the proportion of silk in those things?—Only to the manufacturer.

370. Do you mean to say that the retail merchant or the warehouseman receiving certain goods from a manufacturer, does not know what

Mr. *Bruce*—continued.

the value of those goods is, or the way in which they are manufactured?—Yes; he would not know the exact quantity of silk in them.

371. But I suppose he could ascertain it by asking?—By going to the factory, or asking the manufacturer.

372. So that in the case of gentlemen trading on a large scale, they would easily be aware, as regards the different classes of goods which they sell, of the proportions of the different materials of which their goods are composed?—Yes, but only by inquiring.

373. Your objection to this 30 per cent. would apply, I presume, to any modification; it does not apply to 30 per cent. alone, but it would be the same if it was 40, or 50, or 60, or 70 per cent.?—It would.

374. Would it apply in the event of goods which were purely silk being left in the Act, and anything below that being excluded; would it be possible to ascertain without some inquiry whether an article was pure silk, or not?—Certainly; you must make an inquiry.

375. Then it would still require the same investigation; you would require to apply to the manufacturer to ascertain whether it was so or not?—I am certain of that. We have had a very great outcry lately with regard to silk dresses; I may tell you that 1 lb. of silk is very frequently made 2 lbs. before it is put into a woven article; suppose for argument sake that a lady's silk dress weighed 1 lb. of silk, it would weigh probably from 1 lb. to 2 lbs. of other substances put into that article.

376. Are those substances put in the process of manufacture or in the process of making up?—They are put in in the process of dyeing first.

377. You do not mean things which are put in simply by the dressmaker?—That would follow afterwards, but I am referring to the actual stuff. We send our silk first to the dyer and we tell him that we want that silk made 28 ozs. to the pound or 40 ozs. to the pound, so that 1 lb. of silk after going to the dyer's comes back very frequently two or three times the weight which it is when we send it to him; and then it goes to the dressmaker who probably uses other substances to make it up.

Mr. *Morley.*

378. Do you mean ingredients of dyeing?—Ingredients of dyeing. We can show you silk up to 54 ozs. to the pound, and I think more than that.

Mr. *Bruce.*

379. Is that done by adding other substances or by adding other stuff?—By adding chemical substances.

380. You do not mean by weaving in other stuff?—No.

Mr. *Morley.*

381. Do you consider that taking out all reference to mixed goods materially lessen the vexation of all these proceedings?—I think it would very much.

382. Retaining pure silk, because there is a very large quantity of stuff which is nothing but silk conveyed by railway companies; supposing that the railway companies relieved us of the necessity of calculating about this 30 per cent., would

Mr. *Morley*—continued.

would that largely mitigate the vexation?—I think it would meet the question.

Mr. *Brocklehurst.*

383. I asked Mr. Morrison if he understood the reason why railway companies charged for conveying articles made of silk at a higher rate than they charge for conveying general merchandise he was not able to explain, but perhaps you would be able to explain the view that the trade take as to the reason?—I think there is no reason; I think we have submitted to a gross injustice, and have never moved before.

384. In the case of an insurance would the trade look upon it that they already pay one insurance in the extra rate of carriage, and that they would have to pay another insurance in addition to that which they already pay?—They would feel it so.

Mr. *Whitwell.*

385. If an ounce of silk, after going to the dyer, comes back weighing three ounces, how much is the increase of value?—The cost of dyeing.

Mr. *Leeman.*

386. It would not be fair to pursue that question?—I have no objection.

387. Some of the gentlemen concerned in the trade with you might object, might they not, to your being too communicative?—Not at all, it is patent to the whole world; there is no secret in the fact that you can get silk dyed to almost any weight you please.

388. With all the difficulty that you say that there would be in a merchant ascertaining the proportion of silk in a cravat, would not you yourself discover in a moment what was all and what was not silk; do you really mean it to go out to the world, upon your evidence, that a dealer cannot tell whether any article that he sees, a cravat for instance, has 30 per cent. of silk in it?—Unquestionably I do.

389. Is that letter yours (*showing a letter to the Witness*)?—Yes; and I sent it to you.

390. You hold some strongish views upon this question?—I do.

391. So strong as to say, "I can only stigmatise such an attempt" (that is the attempt of the railway companies) "as a gross injustice;" and I observed that you repeated that expression just now?—Yes.

392. And you think that it is so?—I do.

393. I observe that you carry your feeling upon the subject so far as to make it dangerous for one to go to an election. This is what you recommend to your trade: "Upon every election to make it an important question for each candidate to consider"?—I do recommend that.

394. Were you one of those who did insure during the 17 months?—We never insured.

395. The proposal that was made and acted upon by some, at all events, your firm did not avail themselves of?—No, because as I have before explained, if you order goods from us, it is your duty to insure, and not ours. If you are dealing with our house, and you order a parcel of our goods, you would be compelled to insure, and not we; that is to say, it is the consignee who ought to insure.

396. Did your consignees insure?—None of them, that I am aware of.

Mr. *Leeman*—continued.

397. You called this a storm for nothing; I think that is the expression you used?—Yes, because the loss is so small.

398. With whom did the storm originate?—I do not know; not with me.

399. It was not with the railway companies, was it?—I do not know with whom it originated.

400. You had meetings about it at what is called the National Chamber of Trade, to which I think the entire trading community of this country are deeply indebted, and who are now putting forward a successful attempt, as you hope, for the repeal of the Carriers Act, 1830; was that the commencement of the storm?—I do not think it was. I think the large retail houses took it up first, but I am not quite sure upon that point; I was merely called in as a witness.

401. At all events it was not the railway companies with whom it originated?—That I cannot say.

402. I observe that by this letter you suggest a meeting?—The National Chamber of Trade called a meeting.

403. On the suggestion of this letter?—No, that letter was written after.

404. Was that meeting largely attended?—Very largely.

405. And that is since we met here a fortnight ago?—Since a fortnight ago.

406. And the evidence that you give to-day is at the instance of those gentlemen who were at that meeting?—Unquestionably. The principal silk houses of London were represented there.

Mr. *Freshfield.*

407. You attribute great importance to this question?—I do.

408. You are largely interested in this trade?—In our special branch of the trade I am.

409. You think the Act does not work well?—I do.

410. You think the proposition made by the railway companies does not meet the difficulty?—I do not see how it does.

411. If I rightly collect your view, it is this: that the interests and convenience of your trade require that you should be able to deliver all classes of goods in your trade to the railway company at a certain rate, knowing what that rate is, and without entering into any inquiry whether there is 20, 30, 40, or 50 per cent. of silk or any other commodity in those goods?—That is my view.

Mr. *Morley.*

412. I should be sorry for you to leave any false impression about this dyeing of silk. I take it that your silk goods are not sold by the pound, but by the yard?—Sometimes when you are buying pieces of silk wholesale from the merchants they are sold by weight.

413. But it is generally sold by the yard, is it not?—It is generally sold by the yard.

414. A pound of silk which you send to the dyers, we will say, is worth 10*s.*; if it comes back weighing 3 lbs., it would stand in your books as being worth 10*s.* plus the cost of dyeing, would it not?—That is so.

415. I should be very sorry for my honourable friend, the Member for York, to go away with the impression that you are able to multiply the value of your goods by simply dyeing them and so adding to the weight; there is no idea of multiplying

Mr. *Buckingham.*

7 May 1877.

Mr. *Morley*—continued.

tiplying the value of the silk by adding to the weight of it by dyeing it?—Not at all. If we send a pound of silk to be dyed and it costs us, say 10*s.*, and the dyer charges us 3*s.* 6*d.* per pound for dyeing it, and making it so much more in weight than it was before, we simply add the charge of dyeing to it.

Mr. *Leeman.*

416. What is the object of making the addition to the weight?—Competition demands it.

Chairman.

417. It is a kind of shoddy quality that you add, is it not?—I do not quite understand that word.

418. There is a mode of manipulating silk by which it may be very much increased in weight and apparent value, whereas its intrinsic value remains the same?—Yes, quite so.

Mr. *Leeman.*

419. Without going too deeply into these secrets, supposing that a lady goes into a shop and asks for a silk dress, is she informed at all of the relative weight of the silk, and of what the Chairman has spoken of as shoddy?—I cannot answer that question, because I have no shop, but I do not think it is generally done, and I think it would be very foolish to do it.

420. But it is open to be done, I suppose?—I cannot say that even.

421. But you say that the object of putting this additional weight is competition?—Certainly; the demand for a certain lower price. If, for instance, a lady is content to give 10*s.* a yard for a silk dress, she will get one of that value; and if she wants one at 4*s.* 6*d.* a yard, she will get one accordingly.

422. She is not informed of the relative weight of the silk and the other material?—She is not.

Mr. JAMES ALLPORT, re-called; and further Examined.

Mr. *Allport.*

Chairman.

423. I THINK you are now able to fill up these lists. I understand that the companies' proposal for the five years, and then subject to notice as before, will be in this way: First, stamps, 1*s.* (with the fractions all through of 6*d.* and 3*d.*); secondly, maps; thirdly, silks, or goods mixed with silk, where the silk is more than 30 per cent. of the value of the goods; fourthly, furs as at present; fifthly, clocks as at present; sixthly, timepieces; seventhly, plated articles; eighthly, glass; and ninthly, china; I understand now that there was some slip in your evidence this morning, and that you wish glass and china to go into Class II.?—Yes; I propose to put glass and china, which are now in Class I., into Class II.

424. Tenthly, coins, gold and silver, as at present; eleventhly, gold and silver (manufactured and unmanufactured), as at present; twelfthly, jewellery (from or to manufacturers or factors), as at present; thirteenthly, watches, as at present; fourteenthly, gold and silver plate, as at present; fifteenthly, hand-made lace, as at present; sixteenthly, engravings; seventeenthly, trinkets; eighteenthly, bank-notes; nineteenthly, title-deeds; twentiethly, writings; twenty-first, bills of exchange; twenty-second, orders, notes or securities for payment of money, English or foreign?—Yes.

425. That is Class I.?—Yes.

426. Then, Class II. will consist of items 8 and 9 from the old Class I.; glass of all kinds (except as named in Class III.) and china from the manufacturer or factor?—That is so.

427. Then following that, subject to deviation, are precious stones (set or unset) and jewellery (not from or to manufacturers or factors)?—That is so.

428. Then will come Class III., a new class altogether, which will consist of items 1, 2, 3, and 4 of the present Class II., viz.: plate glass (in plates exceeding 36 feet superficial in size each); glass (stained); glass (silvered); glass (bent); and china (other than from manufacturers or factors)?—Yes.

429. And then a sub-class, as I understand, containing pictures and paintings?—Yes.

430. Then, to make clear your meaning, the

Chairman—continued.

advertisement should contain words to this effect: that all mixed silk goods which contain less than 30 per cent. in value of silk shall be exempt from the operation of the Act, and carried at the carrier's risk?—That is so.

431. So classifying them, all goods in the new Class I. up to 500*l.* to be carried at the rates mentioned as applicable to Class I. in your present scale; that is to say, 1*s.*, 6*d.*, and 3*d.*?—Yes.

432. All goods in the new Class II. to be charged at the rate at which you now charge goods in Class II., viz.: 2*s.*, 1*s.*, and 6*d.*?—Yes.

433. Then comes the first sub-section of Class III.; have you in consultation with your friends decided what proposition you make as to these articles?—The first five articles, now in Class II., we propose to put in Class III., and to charge 10*s.* per 100*l.*, there being a maximum of 500*l.*

434. As to pictures, what is your proposal?—For pictures we propose to charge 5*s.* up to 500*l.*, and then by special arrangement.

435. Whether it is accepted or not, that is the proposition?—That is the proposition.

Mr. *Cavendish Bentinck.*

436. In both cases up to 500*l.*?—In both cases up to 500*l.*, and then by special bargain beyond.

437. There would be nothing in the case of pictures above 500*l.* in value to prevent your charging any rate you pleased, would there?—The probability is that they would be charged very much lower, because when you get to a very large value there would be a reduction by special arrangement.

Chairman.

438. May we understand that all the existing conditions, as, for instance, that the insurance is to cover the Channel risks, and so forth, are put in this paper; may all these conditions be considered as part of the offer?—I do not think we include the Channel risk, but whatever is in the scale of charges we should continue.

439. The

Chairman—continued.

439. The only way in which this Committee can satisfactorily deal with this proposition is by the railway companies undertaking that whatever this paper is ultimately to contain shall be the terms of the contract between the company and each individual freighter, so that these persons may be enabled either to make a contract on these terms, or to remain under the Act as it is at present?—Certainly, it being understood that that is a continuance of the experiment for a time, subject to the 12 months' notice, as I stated in my evidence before.

440. You stated before that you would give five years, and then not determine it without notice; that is understood still?—Yes; that is understood still.

441. There are two points upon which you have not been heard; the first is this small question raised by Mr. Dean as to taking precious stones set or unset out of Class II., and putting them into Class I. alongside jewellery; what do you say to that?—That we cannot do. A very large amount in value goes into a small compass. It was stated just now that a single diamond worth 100*l.* or 150*l.* could be sent in a small parcel that you could put in your waistcoat pocket. The setting is of very little value, and it would not, I think, be equitable if we were called upon to do it.

442. Then you have no idea of putting watches among precious stones, I suppose?—Not the least; watches are a distinct class. It never occurred to me, nor do I suppose it has occurred to anybody connected with railways, that we should take a technical advantage because a watch happened to have small jewels in three or four holes; that never was contemplated.

443. The other point which was mentioned to-day was one which you must have considered very fully, and that is this question of striking mixed goods altogether out of your lists; what do you say to that?—I am sorry to say that we cannot agree to the proposition which has been made. I know of my own knowledge from manufacturers that there is no difficulty whatever in ascertaining whether silk goods contain 10 or 20 or 30 or 40 per cent. of silk; they know it as well as they know if it is a pure silk manufacture; they can tell exactly the per-centage of silk that is put in. It is a value not in amount and not in weight, because, as Mr. Buckingham has stated, he sends an ounce of silk to be dyed, and it comes back three ounces, but the ounce of silk remains practically of the same value.

444. May I, then, take it that this paper which I have in my hand, which was handed in by you this morning, altered in the way I have read out to you, may be deemed to be the offer made by the railway companies to this Committee?—It may. I believe that a list is being made out now which will put it beyond question.

445. What I want to get at are, not only the prices, but also the conditions, some of which are in favour of the insurer, and some of which are in favour of the company?—The conditions will remain as they are.

446. You are quite unmovable on that subject of the mixed goods?—Yes, I think so; I have given myself some little trouble to ascertain it.

Chairman—continued.

Mr. *Morley.*

447. You must surely have discovered that in the trade, both in Manchester and in London, there is a very great deal of feeling on the subject?—I have discovered by that circular which the honourable Member for York has quoted, to Mr. Buckingham, that no insurance whatever would satisfy some people.

Mr. *Whitwell.*

448. Cannot you meet that by increased freight, provided the freighters would go into that chair and say, "We are satisfied; you can take away the silk, and you may increase the freight"?—That involves every company going to Parliament to increase its tolls.

449. None of you are up to the maximum, are you?—Pardon me, I think we are.

450. I think Mr. Dean's case is a very grave one. We are trying to settle the question, and we find that still Mr. Dean, on an article where the jewel is of very small value, has to go to Lloyd's to insure; could not you meet it in any way by stipulating that the jewels in a piece of ornamental gold should not be above a certain value?—I do not see how it is possible to draw the line. It may be, as Mr. Dean states, that the jewel is only of the value of 3*s.* If the jewel is only of the value of 3*s.*, what does the insurance amount to? The setting must, of course, be of small value also. I should say by no possibility could it amount to 10*l.*, and up to 10*l.* we are liable. If a precious stone is only worth 3*s.*, it is fair to assume that the setting would be in proportion; in that case it could not amount to 10*l.*

451. Supposing that each article was of the value of 8*l.* or 9*l.*, and there were five or six articles, then you would not be liable?—I have no doubt Mr. Dean has given a very exceptional case. We know that the jewellery of the present day is set with very valuable stones, and I do not see my way to draw the distinction.

452. In the paper that you submitted the last time that you were here, you did not give the amount of payment that had to be made for absolute losses as distinguished from breakage?—No, I could not do it; we have not distinguished it. It is a very difficult thing, and it takes a very long time to abstract them.

453. Is it your impression that the amount of loss from theft, or an article not being able to be found, was very small in proportion to the loss from breakage?—In the case of jewellery, I should say that it is almost entirely loss; it cannot be from breakage.

454. But Mr. Dean says that he never loses anything?—Mr. Dean may be very fortunate. I know we do very frequently lose valuable jewellery parcels, but I have no idea of the amount; but next to silk, jewellery parcels are the largest item insured in that list. Birmingham is the chief manufacturing place for jewellery, and I think the London and North Western and ourselves carry the bulk of it.

LIST OF APPENDIX.

Appendix, No. 1.

PAGE.

Paper handed in by Mr. James Allport, 23 April 1877:

Railway Companies Association.—Statement showing the Result of the Experiment by certain Railway Companies for the Insurance of Goods and Parcels conveyed by Railway from August 1875 to 31 December 1876 - - - - - - - - 25

Appendix, No. 2.

Paper handed in by Mr. Allport:

General Carriers Act, 1830.—Proposal referred to in Mr. Allport's Evidence - - 26

APPENDIX.

Appendix, No. 1.

PAPER handed in by Mr. *James Allport*, 23 April 1877.

RAILWAY COMPANIES ASSOCIATION.

STATEMENT showing the result of the Experiment by the undermentioned RAILWAY COMPANIES for the INSURANCE of GOODS and PARCELS conveyed by RAILWAY from August 1875 to 31 December 1876.

NAME OF RAILWAY.	Declared Value.	Premium.	Claims Paid.	Claims Pending.	
	£.	£. s. d.	£. s. d.	£. s. d.	
Caledonian Railway	337,847	198 6 4	62 8 10	—	
Furness Railway	small	small.	—	—	
Great Eastern Railway	226,601	145 6 3	140 8 8	—	
Great Northern Railway	419,404	284 11 7	360 1 11	294 – –	
Great Western Railway	652,680	433 1 6	137 2 10	710 – –	
Glasgow and South Western Railway	82,765	51 7 2	43 9 4	—	
Highland Railway	19,070	11 5 6	nil.	—	
Lancashire and Yorkshire Railway	190,817	126 9 6	26 10 6	—	
London and North Western Railway	5,853,274	3,349 4 7	1,208 1 11	309 2 1	12 months only.
London and South Western Railway	207,026	142 2 –	15 2 –	—	
London, Chatham, and Dover Railway	23,569	15 13 6	30 17 4	—	
London, Brighton, and South Coast Railway	140,018	95 7 2	92 13 3	—	
Midland Railway	2,044,547	1,167 1 11	393 4 11	95 3 5	
Manchester, Sheffield, and Lincolnshire Railway.	338,132	188 – 2	nil	173 11 –	
Macclesfield Committee	10,331	5 4 3	—	—	
Sheffield and Midland Committee	444	– 11 6	—	—	
Trent, Ancholme, and Grimsby Railway	nil	nil	nil.	—	
Oldham, Ashton, and Guide Bridge Railway.	1,978	1 3 6	nil.	—	
Metropolitan Railway	nil	nil	nil.	—	
North British Railway	119,913	75 12 11	18 6 7	—	
North Eastern Railway	318,890	231 12 5	176 19 4	214 5 4	
North London Railway	nil	nil	nil.	—	
North Staffordshire Railway	1,532,660	816 1 7	105 15 2	—	
South Eastern Railway	89,465	63 2 11	20 – 2	—	
TOTAL £.	12,609,431	7,401 6 8	2,831 2 9	1,796 1 10	
			1,796 1 10		
		£.	4,627 4 7		

£. 7,401 6 8
4,627 4 7
£. 2,774 2 1 Gain.

Appendix, No. 2.

Appendix, No. 2.

PAPER handed in by Mr. *Allport*.

GENERAL CARRIERS ACT, 1830.

PROPOSAL referred to in Mr. ALLPORT'S EVIDENCE.

THE proposal of the Railway Companies forming the Railway Companies Association is, that with a view to gain further experience of the cost of insuring goods and articles comprised in Section 2 of the Carriers Act, 1830, the present rate of 1 *s.* per 100 *l.* (except for pictures, and for glass, china, and other fragile goods) shall be continued, and the Companies will undertake not to alter it without giving 12 months' previous notice to the trades affected and to the Board of Trade.

The Companies will also undertake to treat silk wrought up with other materials as not within the Carriers Act, unless the value of the silk in the article or fabric bears a larger proportion to the whole value thereof than 30 per cent.

With regard to pictures, and to glass, china, and other fragile articles, the insurance of these at the rate of 2 *s.* per 100 *l.* for the 17 months ending 31st December 1876, has resulted in payments largely exceeding the premiums received, and the Companies propose to increase the rate of insurance, varying it according to the description of goods, and reserving the right to make further alterations from time to time.

REPORT

FROM THE

SELECT COMMITTEE

ON THE

GENERAL CARRIERS ACT;

TOGETHER WITH THE

PROCEEDINGS OF THE COMMITTEE,

MINUTES OF EVIDENCE,

AND APPENDIX.

Ordered, by The House of Commons, *to be Printed,*
4 *June* 1877.

[*Price* 6*d.*]

234.

Under 6 *oz.*

419

REPORT

FROM THE

SELECT COMMITTEE

ON THE

COMPANIES ACTS, 1862 AND 1867;

TOGETHER WITH THE

PROCEEDINGS OF THE COMMITTEE,

MINUTES OF EVIDENCE,

AND APPENDIX.

Ordered, by The House of Commons, *to be Printed,*
26 *July* 1877.

365.

Tuesday, 1st May 1877.

Ordered, THAT a Select Committee be appointed to inquire into and report on the operation of the Companies Acts of 1862 and 1867.

Tuesday, 8th May 1877.

COMPANIES ACTS AMENDMENT (No. 2) BILL.—Order for Committee read and discharged.—Bill committed to the Select Committee on the Companies Acts.

Tuesday, 5th June 1877.

Ordered, THAT the Committee do consist of Nineteen Members.

Committee nominated of—

Mr. Lowe.
Mr. Edward Stanhope.
Mr. Chadwick.
Mr. Hubbard.
Sir Henry Jackson.
Mr. Goldney.
Mr. Hopwood.
Mr. Ashbury.
Mr. Rylands.
Mr. Sampson Lloyd.
Mr. Kirkman Hodgson.
Mr. Isaac.
Mr. Shaw.
Mr. Knowles.
Mr. Alexander Brown.
Mr. Alfred Marten.
Mr. Serjeant Sherlock.
Mr. Orr Ewing.
Mr. Gregory.

Ordered, THAT the Committee have power to send for Persons, Papers, and Records.

Ordered, THAT Five be the Quorum of the Committee.

REPORT - - - - - - - - - - - - - p. iii

PROCEEDINGS OF THE COMMITTEE - - - - - - p. iv

MINUTES OF EVIDENCE - - - - - - - - - p. 1

APPENDIX - - - - - - - - - - - - - p. 157

REPORT.

THE SELECT COMMITTEE appointed to inquire into and report on the Operations of the COMPANIES ACTS of 1862 and 1867, and to whom the COMPANIES ACTS AMENDMENT (No. 2) BILL was referred;——HAVE considered the Matters to them referred, and have come to the following RESOLUTIONS, which they have agreed to Report to the House:—

THE evil which the Joint Stock Companies Acts were intended to remedy was that a company could not as a matter of right, that is without a charter, engage in business without risking the whole fortune of each of its members. In that respect the Acts have succeeded. No safeguard, however, against loss in any business can be effectual unless a man, before he parts with his money or pledges his credit, carefully inquires into the nature of the undertaking, and the character and credit, pecuniarily and morally, of those with whom he is to be associated.

Your Committee are much impressed with the importance of securing, as far as possible, in the formation of a company, a full disclosure of everything likely to influence any one proposing to become a shareholder; and they find that the frauds and losses which have been occasioned by companies (limited) render further regulation in the formation of companies under these Acts expedient.

The attention of your Committee was particularly directed to the 38th section of the Companies Act, 1867, the language of which has been the occasion of much controversy. The beneficial purpose of this clause was to secure redress for those who might suffer through deception or culpable neglect on the part of promoters and directors of companies, and any ambiguity in the expression of its purpose should be removed or corrected.

Your Committee recommend there shall be two registrations:—

The 1st, Provisional, for the purpose of issuing the prospectus and obtaining applications for shares;

The 2nd, Complete registration, when the amount of capital proposed in the prospectus is subscribed, and the stipulated proportion of it provided to be paid on allotment of the shares is actually paid;

And that no company be allowed to commence business until its registration is complete.

The provisions of the Companies Acts, with reference to the returns required from companies under those Acts, should be enforced, and the Registrar of Joint Stock Companies should be required to make a return from time to time to the Lords of the Treasury of the companies making default in such returns.

The Solicitor of the Treasury should be directed to require, and, if necessary, to sue for the penalties provided by the Acts for default in making such returns, with power to the Lords of the Treasury to remit or mitigate such penalties at their discretion.

The Committee consider that the present system of liquidation is unsatisfactory and requires amendment.

That the Companies Acts Amendment (No. 2) Bill be not further proceeded with.

26 *July* 1877.

PROCEEDINGS OF THE COMMITTEE.

Friday, 8*th June* 1877.

MEMBERS PRESENT:

Mr. Gregory.	Mr. Serjeant Sherlock.
Mr. Chadwick.	Mr. Hopwood.
Mr. Edward Stanhope.	Mr. Lowe.
Mr. Sampson Lloyd.	Mr. Kirkman Hodgson.

Mr. LOWE was called to the Chair.

The Committee deliberated.

[Adjourned till Thursday next, at One o'clock.

Thursday, 14*th June* 1877.

MEMBERS PRESENT:

Mr. LOWE in the Chair.

Mr. Serjeant Sherlock.	Mr. Knowles.
Mr. Sampson Lloyd.	Mr. Ashbury.
Mr. Goldney.	Mr. Isaac.
Mr. Alexander Brown.	Mr. Shaw.
Mr. Rylands.	Mr. Orr Ewing.
Mr. Hubbard.	Mr. Chadwick.
Mr. Gregory.	Mr. Alfred Marten.
Mr. Edward Stanhope.	

Mr. *W. H. Cousins* and Mr. *W. Newmarch* were severally examined.

[Adjourned till Monday next, at One o'clock.

Monday, 18*th June* 1877.

MEMBERS PRESENT:

Mr. LOWE in the Chair.

Mr. Serjeant Sherlock.	Mr. Sampson Lloyd.
Mr. Alexander Brown.	Sir Henry Jackson.
Mr. Orr Ewing.	Mr. Hopwood.
Mr. Alfred Marten.	Mr. Rylands.
Mr. Shaw.	Mr. Kirkman Hodgson.
Mr. Ashbury.	Mr. Isaac.
Mr. Edward Stanhope.	Mr. Goldney.
Mr. Gregory.	Mr. Chadwick.

Mr. *W. Turquand* and Mr. *W. Newmarch* were severally further examined.

[Adjourned till Thursday next, at One o'clock.

Thursday, 21*st June* 1877.

MEMBERS PRESENT:

Mr. LOWE in the Chair.

Mr. Knowles.
Mr. Isaac.
Mr. Ashbury.
Mr. Edward Stanhope.
Mr. Gregory.
Mr. Chadwick.
Mr. Sampson Lloyd.
Mr. Serjeant Sherlock.
Mr. Rylands.
Mr. Alexander Brown.
Mr. Hubbard.
Mr. Goldney.
Mr. Shaw.

Mr. *John Morris* was examined.

[Adjourned till Monday next, at One o'clock.

Monday, 25*th June* 1877.

MEMBERS PRESENT:

Mr. LOWE in the Chair.

Sir Henry Jackson.
Mr. Ashbury.
Mr. Gregory.
Mr. Chadwick.
Mr. Serjeant Sherlock.
Mr. Orr Ewing.
Mr. Hubbard.
Mr. Kirkman Hodgson.
Mr. Hopwood.
Mr. Isaac.
Mr. Edward Stanhope.

Mr. *S. L. Price* was examined.

Mr. *Morris* was further examined.

[Adjourned till Thursday next, at One o'clock.

Thursday, 28*th June* 1877.

MEMBERS PRESENT:

Mr. LOWE in the Chair.

Mr. Chadwick.
Mr. Serjeant Sherlock.
Mr. Sampson Lloyd.
Mr. Orr Ewing.
Mr. Ashbury.
Mr. Alexander Brown.
Mr. Hubbard.
Mr. Edward Stanhope.
Mr. Rylands.
Mr. Gregory.
Mr. Knowles.

Mr. *R. P. Harding* was examined.

[Adjourned till Monday next, at One o'clock.

Monday, 2nd July 1877.

MEMBERS PRESENT:

Mr. LOWE in the Chair.

Mr. Chadwick.	Mr. Hopwood.
Mr. Orr Ewing.	Mr. Alexander Brown.
Mr. Ashbury.	Mr. Rylands.
Mr. Isaac.	Mr. Goldney.
Mr. Gregory.	

Mr. *E. B. Church* and Mr. *D. Chadwick* (a Member of the Committee) were severally examined.

[Adjourned till Thursday next, at One o'clock.

Thursday, 5th July 1877.

MEMBERS PRESENT:

Mr. Edward Stanhope.	Mr. Hopwood.
Mr. Ashbury.	Mr. Lowe.
Mr. Gregory.	Mr. Hubbard.
Mr. Rylands.	Mr. Kirkman Hodgson.
Mr. Knowles.	Mr. Orr Ewing.
Mr. Sampson Lloyd.	Mr. Alfred Marten.
Mr. Isaac.	Mr. Chadwick.
Mr. Alexander Brown.	

In the absence of Mr. Lowe, Mr. EDWARD STANHOPE took the Chair.

Mr. *Chadwick* (a Member of the Committee) was further examined.

Mr. LOWE having resumed the Chair, Sir *George Jessel*, the Master of the Rolls, was examined.

[Adjourned till Monday next, at One o'clock.

Monday, 9th July 1877.

MEMBERS PRESENT:

Mr. LOWE in the Chair.

Mr. Gregory.	Mr. Edward Stanhope.
Mr. Serjeant Sherlock.	Mr. Orr Ewing.
Mr. Ashbury.	Mr. Hubbard.
Mr. Knowles.	Mr. Alexander Brown.
Mr. Shaw.	Mr. Kirkman Hodgson.
Mr. Alfred Marten.	Mr. Isaac.
Mr. Chadwick.	

Sir *Richard Malins*, Vice Chancellor, was examined.

The Committee deliberated.

[Adjourned till Thursday, 19th, at Twelve o'clock.

Thursday, 19th July 1877.

MEMBERS PRESENT:

Mr. LOWE in the Chair.

Mr. Ashbury.	Mr. Edward Stanhope.
Mr. Isaac.	Mr. Hopwood.
Mr. Knowles.	Mr. Hubbard.
Mr. Sampson Lloyd.	Mr. Rylands.
Mr. Orr Ewing.	Mr. Alexander Brown.
Mr. Gregory.	Mr. Shaw.
Mr. Serjeant Sherlock.	Mr. Chadwick.

Motion made, and Question put, "That the Committee do proceed to take further evidence"—(Mr. *Sampson Lloyd*).—The Committee divided:

Ayes, 5.	Noes, 7.
Mr. Isaac.	Mr. Orr Ewing.
Mr. Gregory.	Mr. Knowles.
Mr. Sampson Lloyd.	Mr. Ashbury.
Mr. Serjeant Sherlock.	Mr. Hubbard.
Mr. Alexander Brown.	Mr. Edward Stanhope.
	Mr. Rylands.
	Mr. Hopwood.

RESOLUTIONS to be proposed by the *Chairman*, read as follows:

"1. THE evil which the Joint Stock Companies Acts were intended to remedy was that a company could not as a matter of right, that is without a charter, engage in business without risking the whole fortune of each of its members. In that respect the Acts have entirely succeeded. The only remedy against loss in these, as in all other matters of business, is that a man before he parts with his money or pledges his credit should carefully inquire into the nature of the undertaking, and the character and credit pecuniarily and morally of those with whom he is to be associated.

"Without this, so called safeguards are only means of creating undeserved confidence; if this course be followed they are unnecessary. All directions that particular things should be done in the course of business are in themselves mischievous, inasmuch as they tend to create a feeling of false security, and thus to enfeeble the motive for that thorough investigation which alone can make an investor safe. Rules very proper where land is taken by compulsion as by railway companies, may be very mischievous if applied to ordinary joint stock enterprise.

"2. Section 38 of 30 & 31 Vict. c. 131, was inserted in the Bill, without debate, at the end of the Session. It is in direct opposition to the principle on which the Joint Stock Acts were framed. It has occasioned much litigation. If that which it declares to be fraudulent is fraudulent already, the section is superfluous; if it be not fraudulent at common law or equity the section is objectionable as applying a very disgraceful name to something to which it is not applicable, and thus breaking down the distinction between right and wrong. No reason can be given why an omission to state something should be fraudulent and void in the formation of a joint stock company which would not be fraudulent and void in any other case. The section should therefore be repealed.

"3. Joint stock companies which have made no returns to the Registrar for three years should be struck off the list, a power being reserved to a judge to restore them if sufficient cause or excuse be shown, on such terms as he may think fit."

RESOLUTIONS to be proposed by Mr. *Gregory*, read as follows:

"THAT admitting the principles of the Acts of 1862 and 1867 to be sound, and the application of them to have been on the whole beneficial, the operation of these Acts is susceptible of much abuse; and although certain provisions are contained in such Acts for meeting or correcting such abuse, those provisions are practically inoperative.

"That the Legislature in sanctioning and carrying out the principle of limited liability, holds out to persons joining companies formed on that footing, that they only incur a certain risk, and are not required to exercise the same caution or to prosecute the same inquiries as they would in the case of an ordinary partnership, in joining which their

whole property is at stake, and the provisions in the Acts to which reference has been made appear to have been framed on that footing.

"That the term limited liability is in many cases likely to mislead, companies being got up professedly on that principle, but in which, owing to the disproportion between the sum paid upon the shares and their nominal amount, the liability is practically unlimited.

"That with a view of meeting the abuses which may arise from the operation of those Acts, and to give effect to the provisions already contained in them, it is desirable to provide that a deposit should be paid on the application for shares in any company registered or to be registered as a limited liability company.

"That no company registered as a limited liability company should be allowed to commence or carry on business until a certain proportion of shares in the same shall have been allotted, and the deposit paid thereon.

"That the nominal amount of and ultimate liability upon such shares shall be a multiple of the sums so paid as a deposit upon the same, and that, except in the case of banking and insurance companies, such multiple shall not exceed four times the amount of the sum so paid on deposit.

"That the borrowing powers of limited liability City companies should not exceed a certain proportion of the capital subscribed for and the amount paid up in respect of the same.

"That the section of Table A of the Act of 1862 as to accounts, should apply to every company registered as a limited liability company, and every company shall transmit to the Registrar a copy of the balance sheet and account required by that Table, but such balance sheet and account shall only be open to the inspection of shareholders in or creditors of the company.

"That the provisions of the Companies Acts, with reference to the returns required from companies under those Acts, should be enforced, and that the Registrar of Joint Stock Companies should be required to make a return from time to time to the Lords of the Treasury of the companies making default in such returns.

"That the Solicitor of the Treasury should be directed to require, and, if necessary, to sue for the penalties provided by the Acts for default in making such returns, with power to the Lords of the Treasury to remit or mitigate such penalties at their discretion.

"That the Registrar of Joint Stock Companies should have power to erase from the list of companies such as are in default for a period of two years, and that such companies should thereupon be disabled from carrying on business under the Acts.

"That the appointment of liquidators should in the first instance be provisional only, and until their names have been submitted to a meeting of the creditors of the company, to be specially called for that purpose, who shall have power by resolution to require that the name or names of other persons shall be submitted to the judge for appointment as official liquidators."

RESOLUTIONS to be proposed by Mr. *Orr Ewing*, read as follows:

"1. THAT the evils and great losses which have been sustained by companies (limited) formed under the Joint Stock Companies Acts render it necessary to make further safeguards in the formation of companies under these Acts.

"2. That it is necessary to provide that a deposit of one-tenth of the amount of the share should be paid on application for shares in any company to be registered as a limited liability company.

"3. That no company registered as a limited liability company should be allowed to commence or carry on business until the whole shares shall have been applied for and allotted, and two-fifths of the whole capital paid up.

"4. That the borrowing powers of a limited liability company shall not exceed one-fifth of its capital paid up.

"5. That a copy of the yearly balance sheet, with the report of the directors, be sent to every shareholder of the company 10 days before the annual meeting."

RESOLUTIONS to be proposed by Mr. *A. H. Brown*, read as follows:

"YOUR Committee having examined nine witnesses upon the subject of the working of the Companies Acts, 1862 and 1867, have agreed to the following Resolutions:—

"1. No company should be registered unless the aggregate value of the shares subscribed by the persons signing the memorandum of association is more than 10 per cent. of the nominal capital.

"2. No

"2. No company should be registered until the promoters of such company have, in addition to the information contained in the memorandum of association, submitted to the Registrar the following information:—

"(1.) The names and addresses of the first intended directors.

"(2.) The number of shares taken up by each such director, and the amount paid up on each share, which is to be not less than 20 per cent. of the nominal amount of each share.

"(3.) The amount so stated to be paid up on each shares is to be vouched for by a statutory declaration that such a sum has been *bonâ fide* paid up by the directors themselves, and is in no sense a colourable deposit.

"3. The articles of association of every company should be submitted to the Registrar before the company is registered.

"4. The Registrar should have his powers enlarged, so that he may see—

"(1.) That the articles of association are framed in such a manner that they are in conformity with the provisions of the Acts regulating joint stock companies; and,

"(2.) That they specify the amount of the borrowing powers of the company, which should in no case exceed 50 per cent. of the amount of paid-up capital.

"(3.) That they do not contain any provisions which would limit unduly the responsibility of the directors of any company.

"(4.) That the number of shares which qualify any person to become a director of any company is duly set forth, and that the first directors have the qualifying number of shares.

"(5.) That the articles of association contain provisions against the issuing of fresh capital until 80 per cent. of the existing capital has been called up.

"5. Where a company exercises a power of borrowing money, a copy of the resolution should be sent to the Registrar, which shall state the amount to be borrowed.

"6. No company shall be entitled to begin business and trade with the public until the directors have sent to the Registrar a statutory declaration that they have *bonâ fide* 20 per cent. of the nominal capital of the company paid up.

"7. That the questions arising out of the 38th section of the Companies Act of 1867, have not escaped the attention of this Committee. Two opinions prevail; the first is, that the section should be repealed altogether, and the operation of the laws relating to fraud should be left to correct or prevent any attempt at frauds; the second is, that difficult as it is to draw a clause which should meet all cases, yet the attempt should be made.

"8. That the latter course is preferable, because the repeal of Section 38, without enacting anything in its place, would be viewed with great alarm, and would open the door to great evils. Great weight is to be attached to the evidence of the Right honourable the Master of the Rolls in favour of the simple repeal of the clause, but this recommendation was coupled with the opinion that a public prosecutor should be appointed, which was objected to by other witnesses.

"9. That the Registrar should have the power of calling upon companies to make the returns required by Section 28 of the principal Act, by sending a notice to the registered address of the company, and, if such returns are not made for three consecutive years, the companies should be struck off the list, with liberty to be restored if a proper case be made out."

RESOLUTIONS to be proposed by Mr. *Saul Isaac*, read as follows:

"That the Companies Act, 1862, and the Companies Amendment Act, 1867, do not provide sufficient safeguards for the prevention of frauds.

"That all promoters and directors of limited liability companies shall be deemed guilty of fraud who do not set forth in the prospectus every agreement in connection with, or relating to, the formation of the company, the purchase of the business or property in connection therewith.

"That no company shall be allowed hereafter to commence business unless at least two-thirds of the nominal capital has been subscribed for, and at least one-third has been *bonâ fide* paid up in cash.

"That in the event of the whole amount of capital not being allotted it shall be so stated in each letter of allotment, and any allottee shall be at liberty to give notice that he refuses to accept the same, provided notice of such refusal be given within 14 days from the date of the posting or delivery of the letter of allotment.

"That there shall be two registrations:—

"1st. Provisional, for the purpose of issuing the prospectus and obtaining applications for shares.

"2nd. Complete registration when the requisite amount of capital is subscribed for and paid upon.

"That any company proposing to issue debentures or borrow money on the security of the property of the company shall give notice of their intention to their existing creditors.

"That, in the event of the whole of the capital of the company not being subscribed, any payment to be made for the purchase of a business or other property, and any payment to promoters or agents shall only be made in proportion to the capital subscribed for.

"That whenever a company has lost three-fourths of its capital, the directors shall within 14 days call a meeting of the shareholders and creditors, to consult with them, having regard to the future working of the company or going into liquidation."

RESOLUTIONS to be proposed by Mr. *James Ashbury*, read as follows:

"1. It cannot be doubted that the Acts of 1862 and 1867 have on the whole been most beneficial to the general public, notwithstanding the loss and distress occasioned by so many failures.

"2. Limited companies have been formed, having for results two apparently distinct objects:

"(*a.*) To take over for a lump sum, or a valuation, *bonâ fide* going works for manufacturing purposes; as also for minerals, notably coal and iron, such as the Ebbw Vale Company, Bolckow, Vaughan and Company, the Staveley Company, and others of a kindred character.

"Without the existence of the Joint Stock Acts, it would have been impossible for the principals of such large concerns to have retired from business, owing to the required capital being so large, and the ultimate liability of the purchase so undefined and uncertain, especially where the incomer could have no knowledge of a complicated business, requiring the experience of half a lifetime to ensure satisfactory results.

"(*b.*) Limited liability companies have also had for their object the creating of manufactories, banking, or other business, which must necessarily be more of a speculative character than those of going concerns where the vendors sell their profitable works, in many instances with a guaranteed dividend of 7½ or 10 per cent. for five or seven years; one or more partners being thereby necessitated to remain in the establishment in order to personally give the company the benefit of his or their experience, and to reduce to a minimum the liability to make up the dividend by having the management for such period under the personal supervision of those most deeply interested; by the fact, probably, of the company continuing to bear his or their name, his large paid-up capital, and shares with a heavy liability thereon, and the further liability to pay the guaranteed dividend, if for any reason the concern did not pay for a defined period, such skilled supervision being most advantageous to the company for the time being; but when after a time the liability ceases, the vendor gradually sells and retires, leaving the affairs of the company to be managed by a board with no special knowledge of the business, and in many such cases the company ultimately comes to an unsatisfactory position.

"3. The disasters of joint stock companies have generally been of the following character:

"(*a.*) The promoters, or directors, or both, have had no practical knowledge of the business they professed to manage.

"(*b.*) The directors have not exercised due precautions in allotting the original shares, whereby weak holders and persons of no means have been placed on the register of the company; and when bad times came, and the directors were compelled to make a series of heavy calls, a great portion of the shareholders' list was cleared by forfeited shares, the result of inability of pay up, and the consequences were that the remainder, who could pay, were obliged to pay more than they otherwise would have done if the list had been composed of those who could hold and pay up.

"(*c.*) Another class of companies have been formed by persons having possession of a concession, mine, or other property, transferred to the company for a secret consideration out of all proportion to the fair value of the property, the effect being that the company ultimately succumbs to a combination of circumstances, viz.:—

"(1.) Directorial mismanagement.

"(2.) A weak share list.

"(3.) A capital altogether out of proportion to the requirements of the business, sequent on the promoters securing to themselves unreasonable profits.

"4. The impolitic and dangerous custom of having a large nominal capital created a false security by the word 'limited.'

"(*a.*) Directors issued a prospectus, say with the shares of 100*l.* liability, and with the best intention would announce that it was never contemplated to call up more than

than 45*l.* or 50*l.*; those persons who applied for shares completely ignored the possibility of the 100*l.* being called up, and although able to pay all the 50*l.* by instalments, as stated in the prospectus, were ultimately unable to meet the calls on the second 50*l.*, such calls being probably solely necessitated by a weak share list, and after struggling to meet the early calls, they were unable to meet the later ones, and the shares so paid up would, in many instances, be forfeited.

"FORMATION OF COMPANIES.

"5. No company having its capital divided into shares should be registered with less than 500*l.* nominal capital. Mr. Cousins, Q. 35. Mr. Morris, Q. 894. 930.

"No company having its capital divided into shares should be registered unless the subscribers to the memorandum of association thereby agree to take shares to the nominal amount of at least 100*l.*, when the capital does not exceed 1,000*l.* Vice Chancellor Malins, Q. 2365.

"LIABILITY OF CAPITAL IS NOT SUBSCRIBED.

"6. It should be provided that if within one year after the incorporation of a company 90 per cent. of its original capital shall not have been taken and 50 per cent. paid up thereon, the company must be wound up; and that any creditor or member shall thereupon be entitled to a winding-up order, and that the liability of the directors subsequently carrying on the business shall be unlimited. Vice Chancellor Malins, Q. 2380.

"SECTION 38 OF THE ACT OF 1867.

"7. Section 38 of the Act of 1867 should be amended as follows:— Mr. Morris, Q. 818. 821, 822.

"(*a.*) It ought to plainly indicate what contracts must be disclosed.

"(*b.*) The meaning of the word "Promoters" and the expressions "knowingly issuing," and "unless he shall have had Notice of such contract," ought to be clearly defined. Mr. Morris, Q. 883.

"(*c.*) It should require every prospectus or notice to state where copies of the contracts may be seen, and should require that such copies should be open for inspection at such place for a fixed period. Mr. Newmarsh, Q. 697. Mr. Harding, Q. 1678, 1679, 1680, 1681.

"(*d.*) It ought to require that in the articles of association there should be set forth the purport and effect of the contracts.

"(*e.*) It should require that all articles of association and memorandum of association should be passed and certified by an official in the Registrar's Department that the Act of Parliament has been complied with. Vice Chancellor Malins, Q. 2377, 2378. 2429, 2430, 2431. 2508, 2509, 2510, 2511.

"(*f.*) It should require the number of shares or amount of stock which each director is required to hold to be stated in any prospectus. Vice Chancellor Malins, Q. 2376.

"(*g.*) It should only apply to a prospectus or notice containing an invitation to subscribe for any share in the original capital.

"DIRECTORS' QUALIFICATIONS.

"8. No company having its capital divided into shares should be registered unless the regulations require each director to hold shares or stock therein for which he shall have paid the company in cash, and also state the number or amount which he must so hold.

"NAMES OF DIRECTORS.

"9. Section 45 of the Act of 1862 should be amended so as to apply to all companies under the Act, in order that the names of the directors for the time being may be notified to the Registrar. Mr. Cousins, Q. 216, 217.

"DEPOSIT ON ALLOTMENT OF SHARES.

"10. It should be required that, in case the capital of a company proposed to be registered is divided into shares, the articles of association must provide that no share in the original capital shall be allotted until 25 per cent. of the nominal amount thereof be paid by the applicant to the company. A further 25 per cent. thereof at least shall be paid within one year after allotment. This provision should not be altered by a special resolution. Mr. Turquand, Q. 440, 441. Mr. Harding, Q. 1690, 1691. Mr. Chadwick, M.P., Q. 1952, 1953.

"Schedule 1, Table A, Companies Act, 1862, should be amended by the insertion of a clause to the above effect. Vice Chancellor Malins, Q. 2422, 2423. 2448.

"The provision should not apply to the case of shares allotted as fully or partly paid up under any contract filed in accordance with Section 25 of the Act of 1867.

"REGISTER OF MORTGAGES.

"11. The purport and effect of all mortgages and charges specially affecting property of any company should be registered with the Registrar 14 days after execution, and priority of registration should give priority of charge. Mr. Cousins, Q. 62, 63, 64. 199.

"BALANCE SHEET.

Mr. Cousins, Q. 91. 201. Mr. Newmarsh, Q. 719. 742, 743. Mr. Morris, Q. 998. Mr. Chadwick, Q. 1957. Vice Chancellor Malins, Q. 2462.

"12. Unless otherwise provided by the regulations of a company, a balance sheet in the form appended to Schedule 1, Table A., or in some other form, approved by the Board of Trade, should be sent to every member, and also filed with the Registrar.

"There should be a penalty for not filing.

"REPORT OF PROCEEDINGS.

Mr. Newmarsh, Q. 303, 304. Mr. Turquand, Q. 666. Mr. Morris, Q. 972, 973. Mr. Harding, Q. 1702, 1703, 1704.

"13. It should be provided that at every general meeting of a company, which consists of more than 20 members, and has its capital divided into shares, a shorthand writer is to be present to report on oath the proceedings thereat; and that a copy of his report, printed without any suppression, is, within 14 days after the meeting, to be sent to every member of the company.

"This provision to be enforced by penalties.

"EXTENSION OF OBJECTS.

Mr. Morris, Q. 915, 916. Mr. Harding, Q 1692.

"14. A company should, by special resolution confirmed by the court, be empowered to extend or otherwise alter its objects. In such cases dissentient creditors should be given the same rights to be paid off or secured as upon a reduction of capital under the Act of 1867; and dissentient members should have the same rights to be bought out as upon a sale under Section 161 of the Act of 1862.

"PENALTIES FOR DEFAULT.

Mr. Cousins, Q. 62, 63, 64.

"15. It should be provided that the directors of any company which has failed to make the proper returns to the Registrar for three years, should become liable for all the debts of the company; the fact that the company is in default should be advertised in the 'Gazette' by the Registrar three months before the expiration of the three years, and that he shall cause a copy of the advertisement to be sent to the registered address of each director.

"Penalties for not making returns, and not giving notices to the Registrar, should be enforced by the Board of Trade or some public officer.

"WINDING UP.

Mr. Morris, Q. 803, 804.

"16. Sub-section (1) of Section 80 of the Act of 1862, should be repealed, so that a creditor should not be able to present a winding-up petition after 21 days' notice to pay a disputed debt.

"OFFICIAL LIQUIDATOR.

Mr. Morris, Q. 805. Mr. Price, Q. 1084.

"17. The official liquidator of a company which has been ordered to be wound up should be appointed by the creditors and contributories at a meeting to be called by the court. If the company is insolvent the appointment should rest with the creditors. After the debts have been paid the contributories should be entitled to appoint their nominee as liquidator.

"COMMITTEE OF INSPECTION.

Mr. Price, Q. 1040.

"18. It should be provided that where a company is ordered to be wound up compulsorily, or subject to supervision, there should be a committee of inspection, consisting of, say four persons, two to be elected by the creditors and two by the members at the meeting to be called by the court.

Mr. Morris, Q. 985. Mr. Turquand, Q. 659.

"The liquidator should be empowered (except in very complicated cases), with the unanimous sanction of the committee, to do any of the things which under Section 95 of the Act of 1862 he might do with the sanction of the court.

Mr. Price, Q. 1172. 1175. 1177.

"If a majority of the committee recommend the removal of the liquidator, a meeting of the creditors, or if there are none, of the members, shall be called, and such meeting should have power to appoint a new liquidator."

RESOLUTIONS, to be proposed by Mr. *Chadwick*, read as follows:

"1. THAT the general operation of the Companies Acts, 1862 and 1867, has been greatly to the public advantage; but in many cases the powers of the Acts have been abused and misunderstood, and great losses and expensive litigation have ensued.

"2. That the Companies Acts Amendment Bill No. 2, referred to this Committee, will provide some requisite and more stringent conditions in regard to the disclosure of contracts and other matters, which the experience of the working of these Acts has proved to be desirable.

"3. That Clause 38 of the Act of 1867 should be repealed, and that Clause 4 of the Companies Acts Amendment Bill No. 2, extending and enlarging the disclosures required in a prospectus, be substituted in lieu thereof.

"4. That

"4. That Clause 5 of the said Bill No. 2, requiring two-thirds of the capital to be subscribed before allotment, should be adopted.

"5. That Clause 6 of the said Bill No. 2, requiring a list of shareholders to be sent to each shareholder, should be adopted, and that the number of shares allotted to each shareholder be added to such list.

"6. That, as provided by Clause 7 of the said Bill, it is desirable that a statutory form of balance-sheet and profit and loss account should be required by all new joint-stock companies, in the same manner as is provided in the case of insurance, railway companies, and building societies.

"7. That it is desirable that an easy and expeditious mode should be provided for proceedings by summons in the case of a company neglecting to issue such annual report and accounts, and that Clause 8 of the said Bill No. 2 should be adopted.

"8. That Clause 9 of the said Bill should be adopted, giving power to reduce the paid-up share capital of companies.

"9. That it is desirable to adopt Clause 10 of the said Bill, giving power to companies already formed by special resolution, to adopt the provisions of the Bill in regard to the report and accounts.

"10. That additional clauses be added to the said Bill, to provide that every six months, or oftener, at the discretion of the court, all liquidators, official and voluntary, shall prepare brief reports of their proceedings, and statements of their receipts and expenditure, under general heads, showing liquidators and solicitors expenses separately, in a form to be set forth; and that a copy of such report and statement of accounts be deposited with the Registrar of joint stock companies, and with the chief clerk of the court appointing the liquidator, for reference by shareholders or creditors of the company.

"11. That the Registrar of joint stock companies should report to the Board of Trade quarterly the name of the companies who have failed to furnish the returns required by Clause 26 of the Act of 1862, and send notice to such companies of such default; and afterwards (with the consent of the Treasury) should instruct the Solicitor to the Treasury to take proceedings against such companies for the penalties authorised by Clause 27 of the said Act.

"12. That no company should be registered under these Acts, unless the seven or more promoters who sign the memorandum and articles of association shall agree to subscribe for an amount which, on the aggregate, will be not less that one-tenth of the total share capital authorised to be raised by each company; and no mortgage or debenture bonds shall be authorised to be undertaken or issued by any company beyond one-half the subscribed capital of such company.

"[Form of Statement by Liquidators to be inserted.]"

RESOLUTIONS to be proposed by Mr. *Knowles*, read as follows:

"1. THAT the gross abuses practised by adventurers and speculators under these Acts render it desirable that they should be amended so as far as possible to give greater security to the investing public.

"2. That no company shall be registered unless the promoters of such company give a *bonâ fide* guarantee that 25 per cent. of the whole capital is subcribed.

"3. That the borrowing powers of a limited liability company shall not exceed one-third of its paid-up capital.

"4. That the 38th Section of the Companies Act, 1867, should be either repealed altogether, or so amended as to render it more clear and operative in providing against fraud.

"5. That the Registrar should be empowered to call on companies to make the returns required by Section 28 of the principal Act, by sending notice to the registered address of such companies as have not made their returns at the proper time, and then if the returns are not made within six months after such notice, the defaulting companies to be struck off the list, and not restored unless a good case is made out, and only then on payment of a fine not exceeding

"6. That as doubts have arisen as to the powers given by the Companies Acts, 1867, to companies wishful to reduce their capital, this should be made clear, and all doubt removed."

RESOLUTIONS to be proposed by Mr. *Edward Stanhope*, read as follows:

"Your Committee have taken evidence with special reference to the formation and winding up of joint stock companies, and have agreed to the following Resolutions:—

"1. The present system of registration should be continued, but additional means should be provided for making the register accurate, by insisting on returns from all companies, and by clearing it of all those which have ceased to carry on their operations.

"2. Your Committee are much impressed with the importance of securing, as far as possible in the formation of a company, a full disclosure of everything likely to influence any one proposing to become a shareholder; but they find great difficulty in making any practical suggestion for additional legislation. Most of the safeguards which have been proposed would be easily evaded by the dishonest, and would have a deterrent effect upon the honest promoters of companies. They are calculated to inspire undue confidence in the public mind, and to enfeeble the motives for thorough investigation. Your Committee are therefore of opinion that no case is made out—

"(*a.*) For entrusting any general discretionary powers of investigation to the Registrar or any public officer.

"(*b.*) For placing any restriction on the formation of a company by requiring any part of its capital to be paid up, or to be subscribed for by the persons signing the articles of association.

"(*c.*) For placing any restriction upon the powers of a company to carry on business or borrow money by requiring a certain proportion of the capital to be paid up.

"3. The attention of your Committee was particularly directed to the 38th section of the Companies Act, 1867. It has led to much litigation; it is at once too comprehensive in its language and defective in its details. It may even punish an accidental omission in the same way as a wilful breach of the law. The remedy provided by it, that of declaring that certain acts shall be 'deemed fraudulent' which may be immaterial or to which no moral taint attaches, is altogether wrong in principle. The 38th section should therefore be repealed.

"4. It was proved to your Committee that the law, independently of this particular statute, is, if properly applied, strong enough to meet all cases of dishonesty, either by commission or by omission. But if Parliament should be of opinion that any further security should be provided against the concealment of material facts in the promotion of companies, your Committee believe that the true remedy is to be found in a precise definition of the penalty or liability to be attached to any particular failure in disclosing them, rather than by affixing the term of 'fraudulent' to any transaction unaccompanied by any moral taint.

"5. It appears to your Committee that no particular form of balance sheet should be made obligatory upon all companies. None could be framed which would meet all cases, and it would be unjust to interfere in a matter which is peculiarly within the province of the shareholders to decide.

"6. Complaints exist as to the delay and expense attendant upon the present system of liquidation, but no sufficient evidence has been placed before your Committee to warrant them in saying that it is capable of great improvement. They think, however, that all voluntary liquidators should be bound to pay all monies received into a particular bank, and to furnish half-yearly accounts."

MOTION MADE, and Question proposed, "That the first Resolution proposed by the Chairman be now considered"—(The *Chairman*).—Question put.—The Committee divided:

Ayes, 7.	Noes, 6.
Mr. Knowles.	Mr. Orr Ewing.
Mr. Shaw.	Mr. Isaac.
Mr. Hubbard.	Mr. Ashbury.
Mr. Edward Stanhope.	Mr. Gregory.
Mr. Sampson Lloyd.	Mr. Serjeant Sherlock.
Mr. Rylands.	Mr. Alexander Brown.
Mr. Hopwood.	

Motion

Motion made, and Question put, "That the further consideration of this Resolution be postponed till this day week"—(Mr. *Shaw*).—The Committee divided:

Ayes, 12.	Noes, 2.
Mr Orr Ewing.	Mr. Hopwood.
Mr. Knowles.	Mr. Chadwick.
Mr. Shaw.	
Mr. Isaac.	
Mr. Ashbury.	
Mr. Hubbard.	
Mr. Edward Stanhope.	
Mr. Gregory.	
Mr. Sampson Lloyd.	
Mr. Rylands.	
Mr. Serjeant Sherlock.	
Mr. Alexander Brown.	

Adjourned till Thursday next, at One o'clock.

Thursday, 26th July 1877.

MEMBERS PRESENT:

Mr. LOWE in the Chair.

Mr. Goldney.	Mr. Chadwick
Mr. Alexander Brown.	Mr. Hopwood.
Mr. Serjeant Sherlock.	Sir Henry Jackson.
Mr. Hubbard.	Mr. Gregory.
Mr. Ashbury.	Mr. Kirkman Hodgson.
Mr. Edward Stanhope.	Mr. Knowles.
Mr. Sampson Lloyd.	Mr. Isaac.
Mr. Orr Ewing.	Mr. Rylands.

Consideration of the Chairman's First Resolution resumed.

Motion made, and Question proposed, "That the evil which the Joint Stock Companies Acts were intended to remedy was that a company could not as a matter of right, that is without a charter, engage in business without risking the whole fortune of each of its members. In that respect the Acts have succeeded. The only remedy against loss in these, as in all other matters of business, is that a man before he parts with his money or pledges his credit, should carefully inquire into the nature of the undertaking, and the character and credit, pecuniarily and morally, of those with whom he is to be associated. Without this, so-called safeguards are only means of creating undeserved confidence; if this course be followed they are unnecessary. All directions that particular things should be done in the course of business are in themselves mischievous, inasmuch as they tend to create a feeling of false security, and thus to enfeeble the motive for that thorough investigation which alone can make an investor safe. Rules very proper where land is taken by compulsion, as by railway companies, may be very mischievous if applied to ordinary joint stock enterprise"—(The *Chairman*).—An Amendment made, by leaving out from the word "succeeded," in line 4, to the word "associated" inclusive.

Another Amendment proposed, to leave out from the word "Without" inclusive, to the end of the Question, in order to add the words, "Your Committee are much impressed with the importance of securing, as far as possible, in the formation of a company, a full disclosure of everything likely to influence any one proposing to become a shareholder; and they find that the frauds and losses which have been occasioned by companies (limited), render further regulation in the formation of companies under these Acts expedient"—(Mr. *Hubbard*).

Question put, That the words "Without this, so-called safeguards are only means of creating undeserved confidence; if this course be followed, they are unnecessary," inclusive, stand part of the Question.—The Committee divided:

Ayes, 7.	Noes, 9.
Mr. Knowles.	Mr. Serjeant Sherlock.
Mr. Hopwood.	Mr. Isaac.
Sir Henry Jackson.	Mr. Ashley.
Mr. Edward Stanhope.	Mr. Hubbard.
Mr. Sampson Lloyd.	Mr. Gregory.
Mr. Rylands.	Mr. Chadwick.
Mr. Kirkman Hodgson.	Mr. Goldney.
	Mr. Alexander Brown.
	Mr. Orr Ewing.

Remaining words of the Question *negatived.*

Question put, That the proposed words be added instead thereof.—The Committee divided:

Ayes, 9.	Noes, 5.
Mr. Serjeant Sherlock.	Mr. Knowles.
Mr. Isaac.	Mr. Hopwood
Mr. Ashbury.	Sir Henry Jackson.
Mr. Hubbard.	Mr. Edward Stanhope.
Mr. Gregory.	Mr. Sampson Lloyd.
Mr. Chadwick.	
Mr. Goldney.	
Mr. Alexander Brown.	
Mr. Orr Ewing.	

Main Question, as amended, put, and *agreed to.—Resolved,* That the evil which the Joint Stock Companies Acts were intended to remedy was that a company could not as a matter of right, that is, without a charter, engage in business without risking the whole fortune of each of its members. In that respect the Acts have succeeded. No safeguard, however, against loss in any business can be effectual unless a man, before he parts with his money or pledges his credit, carefully inquires into the nature of the undertaking, and the character and credit, pecuniarily and morally, of those with whom he is to be associated.

Your Committee are much impressed with the importance of securing, as far as possible, in the formation of a company, a full disclosure of everything likely to influence any one proposing to become a shareholder; and they find that the frauds and losses which have been occasioned by companies (limited) render further regulation in the formation of companies under these Acts expedient.

Motion made, and Question proposed, "That the attention of your Committee was particularly directed to the 38th Section of the Companies Act, 1867. It has led to much litigation; it is at once too comprehensive in its language, and defective in its details. It may even punish an accidental omission in the same way as a wilful breach of the law. The remedy provided by it, that of declaring that certain Acts shall be 'deemed fradulent' which may be immaterial, or to which no moral taint attaches, is altogether wrong in principle. The 38th section should therefore be repealed"—(The *Chairman*).

Amendment proposed, to leave out from "1867" to the end of the Question, in order to add the words, "The language of which has been the occasion of much controversy. The beneficial purpose of this clause was to secure redress for those who might suffer through deception or culpable neglect on the part of promoters and directors of companies, and any ambiguity in the expression of its purpose should be removed or corrected"—(Mr. *Hubbard*).—Question put, That the words proposed to be left out stand part of the Question.—The Committee divided:

Ayes, 6.	Noes, 9.
Mr. Knowles.	Mr. Serjeant Sherlock.
Mr. Hopwood.	Mr. Isaac.
Sir Henry Jackson.	Mr. Ashbury.
Mr. Edward Stanhope.	Mr. Hubbard.
Mr. Sampson Lloyd.	Mr. Gregory.
Mr. Kirkman Hodgson.	Mr. Chadwick.
	Mr. Goldney.
	Mr. Alexander Brown.
	Mr. Orr Ewing.

Words added.—Main Question, as amended, put, and *agreed to.—Resolved,* That the attention of your Committee was particularly directed to the 38th section of the Companies Act, 1867, the language of which has been the occasion of much controversy. The beneficial purpose of this clause was to secure redress for those who might suffer through deception or culpable neglect on the part of promoters and directors of companies, and any ambiguity in the expression of its purpose should be removed or corrected.

Motion made, and Question put, "That your Committee recommend that there shall be two registrations:—

The 1st, Provisional, for the purpose of issuing the prospectus and obtaining applications for shares

The 2nd, Complete registration, when the amount of capital proposed in the prospectus is subscribed and the proportion of it provided to be paid on allotment of the shares is actually paid.

And

And that no company be allowed to commence business until its registration is complete" —(Mr. *Hubbard*).—The Committee divided:

Ayes, 10.	Noes, 5.
Mr. Serjeant Sherlock.	Mr. Knowles.
Mr. Ashbury.	Mr. Hopwood.
Mr. S. Isaac.	Sir Henry Jackson.
Mr. Hubbard.	Mr. Edward Stanhope.
Mr. Gregory.	Mr. Kirkman Hodgson.
Mr. Chadwick.	
Mr. Sampson Lloyd.	
Mr. Goldney.	
Mr. Alexander Brown.	
Mr. Orr Ewing.	

Resolved, "That your Committee recommend there shall be two registrations:—

The 1st, Provisional, for the purpose of issuing the prospectus, and obtaining applications for shares;

The 2nd, Complete registration, when the amount of capital proposed in the prospectus is subscribed, and the stipulated proportion of it provided to be paid on allotment of the shares is actually paid;

And that no company be allowed to commence business until its registration is complete."

Resolved, "That the provisions of the Companies Acts, with reference to the returns required from companies under those Acts, should be enforced, and the Registrar of Joint Stock Companies should be required to make a return from time to time to the Lords of the Treasury of the companies making default in such returns"—(Mr. *Hubbard*).

Resolved, "That the Solicitor of the Treasury should be directed to require, and, if necessary, to sue for the penalties provided by the Acts for default in making such returns, with power to the Lords of the Treasury to remit or mitigate such penalties at their discretion"—(Mr. *Hubbard*).

Motion made, and Question put, "That the Committee consider that the present system of liquidation is unsatisfactory, and requires amendment"—(Mr. *Hubbard*).—The Committee divided:

Ayes, 8.	Noes, 6.
Mr. Serjeant Sherlock.	Mr. Knowles.
Mr. Ashbury.	Mr. Hopwood.
Mr. Hubbard.	Sir Henry Jackson.
Mr. Gregory.	Mr. Edward Stanhope.
Mr. Chadwick.	Mr. Sampson Lloyd.
Mr. Goldney.	Mr. Kirkman Hodgson.
Mr. Alexander Brown.	
Mr. Orr Ewing.	

Resolved, "That the Committee consider that the present system of liquidation is unsatisfactory, and requires amendment."

Resolved, "That the Companies Acts Amendment (No. 2) Bill be not further proceeded with"—(The *Chairman*).

Question, That these Resolutions be reported to the House,—put, and *agreed to*.

Ordered, To Report, together with the Minutes of Evidence, and an Appendix.

LIST OF WITNESSES.

Thursday, 14*th June* 1877.

	PAGE.
Mr. William Henry Cousins	1
Mr. William Newmarch, F.R.S.	13

Monday, 18*th June* 1877.

Mr. William Turquand	21
Mr. William Newmarch, F.R.S.	35

Thursday, 21*st June* 1877.

Mr. John Morris	41

Monday, 25*th June* 1877.

Mr. Samuel Lowell Price	61

Thursday, 28*th June* 1877.

Mr. Robert Palmer Harding	81

Monday, 2*nd July* 1877.

Mr. Edmund Boyle Church	98
Mr. David Chadwick, M.P.	110

Thursday, 5*th July* 1877.

Mr. David Chadwick, M.P.	119
The Right Honourable Sir George Jessel, Master of the Rolls	125

Monday, 9*th July* 1877.

The Honourable Vice Chancellor Sir Richard Malins	139

MINUTES OF EVIDENCE.

Thursday, 14th June 1877.

MEMBERS PRESENT:

Mr. Ashbury.
Mr. Alexander Brown.
Mr. Chadwick.
Mr. Orr Ewing.
Mr. Goldney.
Mr. Gregory.
Mr. Hubbard.
Mr. Isaac.
Mr. Knowles.
Mr. Sampson Lloyd.
Mr. Lowe.
Mr. Alfred Marten.
Mr. Rylands.
Mr. Shaw.
Mr. Serjeant Sherlock.
Mr. Edward Stanhope.

THE RIGHT HONOURABLE ROBERT LOWE, IN THE CHAIR.

Mr. WILLIAM HENRY COUSINS, called in; and Examined.

Chairman.

1. YOU are the Registrar of Joint Stock Companies?—I am. I think it respectful to the Committee to state at the outset, that the ministerial functions of the registration of joint stock companies were only transferred to the Board of Inland Revenue in May 1876, when I, as their officer, for the first time became registrar; therefore, if my answers are not so apt as the Committee might otherwise expect, I must ask their forbearance.

2. Have you any documents which you think it desirable to lay before us?—I have had prepared for the Committee, following the example of my predecessor, Mr. Curzon, a statement of all documents registered by the Registrar, and, where there are special forms provided, specimens are annexed, to the statement. (*Witness delivered in the Statement.*)

3. Are you concerned at all with the winding-up of companies?—I have nothing to do with the winding-up, except to register the special resolutions of the companies when they come to a determination to wind up, and the liquidators return; and also to register the orders of the Court when the Court sanctions or orders the winding-up; and what we call the dissolution order; but the main duties of winding-up are with the High Court of Chancery.

4. Have you any suggestion for improvement to mention to the Committee; has anything occurred to you in the course of the rather short time that you have held your office?—In all matters of registration I am purely subordinate to the Board of Trade, and I am not supposed to have any opinions on law or judicial functions; but I have one or two opinions that I might mention to the Committee about clearing the registers.

Chairman—continued.

5. Will you state anything that you think it desirable for the Committee to take into consideration?—Under the 20th section of the Companies Act of 1862, which is called the principal Act, no company is to register under a name identical with that of one already subsisting. It rests with me to determine whether it is identical, or so nearly approaching to an existing name, as to be calculated to cause confusion to the general public; and I very often have this case, that companies come in and ask to register under a name identical with one already existing; my answer is, "There is one already of that name;" but they say, "Oh! but it is already wound up or gone." Whilst all I can say is, "I know nothing of it." I want some machinery by which the registers could be purged periodically, and I think that that machinery might be got on the principle of the Statute of Limitations, in this way: that I think every seventh year the Board of Trade, if I rendered them a list, might order my registers to be cleared or purged of all companies that had for seven years made default in rendering their annual returns. The Board of Trade might give notice in the "Gazette" of the intention for the benefit of creditors and the public generally, and might require that cause should be shown to them within a given period, so as to see that there was no objection to the company being wiped off the register; but at the end of a certain time, the Board of Trade should order me to clear my registers of all names given

Mr. *Cousins.*
14 June 1877.

Mr. *Cousins.*

14 June 1877.

Chairman—continued.

in that yearly list, and that would pave the way for other companies taking the names if they wished it. We so often find that the names clash.

6. Is it not possible that the company might be carrying on its business, though it failed to make the annual return?—It is; but the cases I am speaking of are cases where the parties applying for the second company know that the first company is defunct. It may be a local Welsh mine, for instance; they say, "We know that that particular mining company never came to maturity, therefore we want to take the name;" and I have no power to give it to them.

7. What is the evidence of a company being defunct that you would accept. Of course, if it is wound up, that is one way of knowing that it is defunct; is there any other way besides that?—They cannot die in any other way than by winding-up; either winding-up by order of the Court, or by voluntary winding-up.

8. Until they fulfilled one or the other of those two things, you would recognise it as an existing company?—Yes.

9. And not allow any other to take its name?—No.

10. Have you any other suggestion which you would like to offer to us?—I think it would be an advantage, if the Committee thought proper, to allow the Registrar of Joint Stock Companies to keep a register of mortgages. Under the 43rd section of the principal Act the company is bound to keep a register of its mortgages, and if they bring a copy to me, though I am not bound by the Act to do so, I take it and register it if they pay the filing fee; but we are so often asked for it that I think it would be very desirable that it should be made law that the Registrar of Joint Stock Companies should keep a counterpart of the register of the mortgages, or in other words of the borrowing powers.

11. Supposing that that counterpart was not given to him, what effect would you give to that; would you make the mortgage void?—I should merely have it for public information at my office.

12. How are you to be sure that you would get all the mortgages registered?—You must make it obligatory on the company to furnish that information.

13. Supposing the company does not, what is to be the effect?—I am afraid that the effect would be the same as with the annual returns; in many instances they are not rendered at all.

14. The company might have some interest in suppressing such a document, might it not?—It might.

15. Would it not tend to deceive people if they found there was no such document; because they might think that the mortgage did not exist, when it did?—The Committee might attach penalties for the non-rendering of the information by the company, to be sued for by a public prosecutor, if the time ever comes when we have one.

16. You would not put it upon the mortgagee to see that the mortgage was registered?—That might be done.

17. He would have an interest in doing it, and the company would have an interest in not doing it?—Yes.

18. Have you any other suggestion to make to us?—Under the 45th section of the Act unlimited companies are bound to send me the names of their directors, and managers, but limited companies are not bound to give that information. Now we are very often asked for that by the general public as to limited companies; and therefore I think that that 45th section should be made applicable to limited companies. Limited companies are the great bulk of those registered. Of 12,800 companies registered since the year 1862, 12,200 have been ordinary limited companies, limited by shares; and therefore I think that those companies ought to keep filed at my office, for the information of the public, the names of the directors and managers.

19. And any change in the direction?—And any change in the direction, as now is the case with regard to the unlimited companies.

20. How would you enforce that?—That again is optional with them; the penalties can only be proceeded for by the common informer; I have no power to enforce any of these obligations on the company.

21. Do you consider that is a fault in the Act, that you have no such power?—I am afraid it is a duty that could not be properly given to a single individual.

22. Are you satisfied with the law as it stands?—I am not satisfied with the law as it stands, but I am afraid that to give me the power of proceeding for all these penalties would be going beyond the functions which have been assigned to me which are purely those of a ministerial officer. If they were to be proceeded for at all, it must be by the Board of Trade; but I think it would be a very difficult task for them to undertake. I think, after all, the only thing is to introduce safeguards, and to leave the public generally to see to their being carried out; I mean the shareholders, and others who are interested.

23. Have you any other suggestions to offer to us?—I think the scale of fees wants revising. As the Table of Fees attached to the principal Act, that of 1862, now stands, no limited company is to pay a higher fee than 50*l.* We had a company registered in the year 1869 which started with a nominal capital of 100,000,000*l.*, and that company only furnished one return afterwards, in the year following; they never had a capital, according to their own showing, beyond 200*l.* If there had been an *ad valorem* scale of fees to prevent that company going beyond 525,000*l.* (which is the nominal capital which carries 50*l.*, that being the largest amount of fees that any company has to pay), it would have prevented that company from going forth to the public with a nominal capital of 100,000,000*l.*, without paying for it.

24. What was the name of that company?—The name of that company is the Common Fund Company. I see that of the subscribers who signed, three or four are in New York, and one or two in Paris, and there are only two in England, one a warehouseman, and another a commercial traveller. There are four of the name of Lloyd; you have Lloyd a publisher in New York, Lloyd a banker in Paris, Lloyd a banker in New York, and also stating that he has got a place in London. It seems to have been an American company. I suppose I am not doing any harm in mentioning the names of companies before this Committee.

25. Was there a solicitor to this concern?—No;

Chairman—continued.

No; it was brought in by what we call a company's agent.

26. Who was that?—A man named Alfred Doubble, whose place of business was close to the Old Joint Stock Company's Office in Serjeants' Inn.

27. Are there any other particulars registered of any kind?—There was a registered office given in Clement's-lane, Lombard-street; and I was looking in the Directory yesterday, and of course I see no such company there now. I have heard nothing of it since the year 1871 (it registered in 1869), when it notified this Office in Clement's-lane, Lombard-street.

28. Then your suggestion would be that there should be revision of the scale of fees?—I would increase the scale of fees, and I think it would help to operate against such fabulous statements.

29. Is there anything else that you have to suggest to us?—I do not think that anything occurs to me in connection with my own particular business.

30. Is there anything that occurs to you in reference to the matter that appertains to the Committee to know?—I presume that will be elicited in the course of the questions that are asked me. I should observe that, under the 9th section of the Act of 1867, there was a new law introduced about reduction of capital; and, inasmuch as Parliament is now considering a Bill which is before them, I thought they might like to have a return of what the effect of that law has been, and therefore I have had such a return prepared, and it shows that the provision has been taken advantage of to the extent of about 30 millions. Companies which started with a nominal capital of 56 millions have, at one time or another, asked for reductions down to 22 millions, so that they have taken advantage of that section to the extent of over 30 millions. I think it also right to mention that in many cases that has been exercised, as it is in all cases, with the consent of the Court, even in cases which are now considered to be illegal; that is to say, paid-up capital has actually been returned, in many cases. Here is a company that had a paid-up capital of 350,000 *l.*; it reduced to a nominal capital of 312,000 *l.* Here is a company which had a paid-up capital of 1,900,000 *l.*; it reduced to a nominal capital of 1,000,000 *l.*; so that it must have either lost 900,000 *l.*, or returned 900,000 *l.* to the shareholders. And here is a company which had a paid-up capital of 87,500 *l.*, and it reduced to a nominal capital of 75,000 *l.*; and it actually states to us that 12,500 *l.* of this amount was returned to the shareholders on the 31st of May 1869, before the reduction was actually sanctioned. A Return was made to Parliament upon this point in February 1871, but the Return which I now propose to hand in has been made up to yesterday, and the total number of companies which have taken advantage of the section has been 71. (*Witness delivered in the Statement.*)

Mr. *Gregory.*

31. Your office, I think, is purely ministerial?—Purely ministerial.

32. And you are compelled to register as a company any one which is tendered to you by any seven persons, are you not?—With certain qualifications; for instance, yesterday a company came in, and one of the seven subscribers was a firm of two partners taking one share between them. Then a question would arise under Table A, if I had passed that, who was to be the director, because the subscribers are *ipso facto* directors until directors are appointed, and the question would be, which of those two was a director; so what we did with that company was to tell the agent to go back and get the partners to sign separately for a share a-piece, which would make eight subscribers.

Mr. *Gregory*—continued.

33. Any seven individuals subscribing your form, and bringing in a statement of the objects, can be registered as a limited liability company?—Yes.

34. The only qualification is taking one share apiece?—Yes.

35. And I think that I saw in your office a return of a company in which seven individuals had taken shares of 1 *s.* each?—Yes; the file is here.

36. The company was registered as a limited liability company on a paid-up capital of 7 *s.*?—At that moment of 7 *s.*

Mr. *Alexander Brown.*

37. What company was that?—Thorley's Cattle Food Company.

Mr. *Gregory.*

38. On the other hand, you have told us also of a company which was registered with a nominal capital of 100,000,000 *l.*—Yes.

39. What was the paid-up capital upon which that was registered; I mean the paid-up capital at the time of registration?—Seven shares of 20 *l.* each, that is 140 *l.* Each subscriber signed for one share, and they were 20 *l.* shares.

40. Was the 20 *l.* actually paid up at the time of registration?—That we have no means of saying.

41. All that you know is that they subscribed for a share?—Yes.

42. What amount they paid for it you do not know?—No.

43. Or whether any amount at all?—We have no means of knowing that.

44. Then, in fact, seven persons may register a limited liability company without paying 1 *s.*?—Certainly, and directly it is registered, their liability exists for what they sign for.

45. That is a liability *inter se*?—Certainly, amongst themselves.

46. There is nobody to enforce that but those seven gentlemen, the one as against the others?—No one.

47. Now I think we have a Return, or annual Returns, from you of the number of companies which have been registered since the year 1862?—Yes; it is printed from Session to Session, on the motion of the Right Honourable the President of the Board of Trade. But I have now prepared for this Committee a statement showing the number of companies registered from the year 1862 to the present time, that is, to the 31st of May (I could not get it closer than that); and the total number of companies registered is 12,879, and they register with a nominal capital of 1,590,000,000 *l.* The Committee may desire to know how the registration is going on up to this time; and, according to the numbers registered up to the 31st of May, I reckon that the total number of companies to be registered this year will

Mr. *Cousins.*

14 June 1877.

Mr. *Gregory*—continued.

will be 1,137, with a total nominal capital of about 70,000,000 *l.* (*Statement given in.*)

48. Is that about the average?—It has gone off a little since those very prosperous years 1873 and 1874, which were perhaps inflated years; but it is a very fair number; it is 74 companies more than last year; but of course I am arriving at those figures by taking five-twelfths of the year, and calculating on that basis.

49. Now you have spoken of certain gentlemen bringing in these companies called companies' agents; they are a new description of officials?—They are merely private individuals, who are a sort of licensed vendors of stamps, or law-stationers; they sell stamps and paper and forms, and they do any business for any company; as, for instance, lodging its memorandum, articles, returns, &c. They have nothing to do with the actual formation and promotion of the company, as a rule, I think.

50. That is to say, so far as you know?—So far as I know.

51. At all events they bring the companies into your office and obtain the registration of these companies?—They bring a good many; I get some direct.

52. These gentlemen are well known at your office, I suppose?—They are.

53. Do you find many companies brought in by the same individuals?—We have instances of that. There was the case of a man brought before one of the courts, who had been instrumental in the forming of some seven or eight companies; and, of course, there are other well-known cases that the Committee know more about than I do; for instance, the Grant cases and others.

54. I see by a return of yours that up to 1876, within the seven preceding years, 3,400 companies had failed to make their returns?—Yes; but that return has been extended by a subsequent one, with reference to which I have to apologise to the Committee; it has been out of my office for the last five weeks, but owing to the pressure of Parliamentary work, the printer has not been able to print it; I have, however, got the return in draft, as far as completed, viz., up to letter S; and it shows up to that point 4,700 companies as defaulters in making the annual return; but I think that the total, when the whole alphabet is complete, will be about 5,500 defaulters; that is, companies who at one time or other during the seven years have failed in making that return. It does not follow that all those companies have ceased to exist; possibly a good many have.

55. Now, they are bound to make returns to you of all resolutions passed at the meetings of the companies, are they not?—They are bound to make returns to me of all special resolutions, under the 53rd section; not of resolutions generally, but what are termed special resolutions.

56. They are bound to return changes in the directors and officers of the company, I think?—No; only the unlimited companies are bound to do that. I was making the suggestion just now, that that obligation should be extended to the limited companies.

57. And they are bound also to return to you the incumbrances and the mortgages, are they not?—No; that was what I suggested as desirable to the Right honourable Chairman.

58. They are bound to keep a register of mortgages themselves?—They are, themselves, for the

Mr. *Gregory*—continued.

information of their own shareholders or creditors; but then there is a very great hesitation on the part of shareholders to go to their own company to look at things of that kind. They often meet impediments in the way. They know that they are coming for a disagreeable object, and they would far sooner come to a public office for that information than to the office of their own company.

59. I think the registers that companies are bound to keep are somewhat of a technical character under the Act, are they not; I mean the registers of the incumbrances; they are bound to specify, I think, exactly the property which is subject to the mortgage?—I can give no personal information upon that point.

60. You are not aware of the cases?—I am not aware of the cases, I only know what the section says; it is the 43rd section of the Act of 1862: "Every limited company under this Act shall keep a register of all mortgages and charges specifically affecting property of the company, and shall enter in such register, in respect of each mortgage or charge, a short description of the property mortgaged or charged."

61. That is what I refer to?—"The amount of charge created, and the names of the mortgagees," and so on; but I have no experience of that register; it is kept by each company individually.

62. The companies are liable to a penalty for not making these returns, are they not?—For not making their annual returns, as required by the 26th section of the Act of 1862, they are liable to a penalty for that, but that penalty has to be proceeded for by the common informer. I have no power, nor has the Board of Trade, to enforce that penalty.

63. You have no power to suspend the operations of a company in default of returns?—None whatever.

64. So that a company may go on still raising money, and issuing shares, and dealing with capital, notwithstanding its total failure to make any returns to your office?—Certainly. We have known such cases as companies reviving themselves, within the knowledge of my office, after perhaps being supposed to be dead for five or six years; five or six years' returns have come in all at once, and we have had one of 13 years; it had some object or other in bringing itself into existence again.

65. I think it follows, from what you have told us already, that there are a large number of companies registered with a capital which they never contemplate having?—Certainly; and, according to a Return which I have here, the number of companies that have been formed from 1856 up to the 12th of June 1877, that started with a nominal capital of 705,000,000 *l.*, have at this moment, so far as we make out, got simply a paid-up capital of 307,000,000 *l.*; those are the companies that we know are still going on; they started with 705,000,000 *l.*, and their paid-up capital, according to the last returns, is 307,000,000 *l.* (*Witness gave in the annexed Return.*)

66. Now in the original registration of a company there is no limit as to the nominal amount of the shares, except what the promoters choose to put upon it?—None whatever.

67. That is to say, a man without having paid 1 *s.* may issue a share at 50 *l.*?—Certainly.

68. Has

Mr. *Gregory*—continued.

68. Has it ever occurred to you that it would be desirable that there should be some *bonâ fide* payment before a company is registered as a limited liability company?—Certainly it does seem so to me, as an individual; as a public officer I have no business to form an opinion, but as an individual, having seen what is actually done, I think there ought to be some payment made, as a sort of earnest of the intention of the parties to get up a *bonâ fide* company.

69. Further, does it occur to you that the liability on the share should be limited to a certain multiple of the sum so paid?—I think that would be a very desirable safeguard.

Mr. *Chadwick*.

70. By the 30th section of the Act of 1862 you are prohibited from receiving notice of any trust in the case of companies under that Act?—I am.

71. But the Act requires you to receive notice of an increase of capital, or of the members of the company; do you find that carried out in effect, as far as you are aware?—It is done, as a rule.

72. They are required to register with you notice of any alteration in the register, or rectification of the register. You spoke just now about purging your register; now by the 36th section of the Act of 1862 they are required to give you notice of rectifying the register. If you will look at the 36th section; I only want to know, as to the information there required to be registered with you, how far that information has not been so supplied to you, and thereby the Act not carried out. The 36th section requires that notice shall be given to the registrar of the rectification of the register; I want to know, are those notices usually given?—I have no means of knowing how far that section is complied with. From year to year they send to me what professes to be this annual return; but with regard to any rectifications in the register in the interval, I do not recollect any case where I have received any intimation of it.

73. Then the Act, it seems, is not carried out in that respect. Now if you turn to Clause 88, you will find that when an order is made for winding-up a company a copy is to be forwarded to the registrar?—Certainly.

74. And I presume that copy has to be sent by the Court in which the order is so made; is that clause in the Act carried out?—It is.

75. Then you could make a current list of the companies in liquidation?—As to making a list of the companies in liquidation, I get no intimation of that, except that I generally get the order to wind-up in the first instance, and then I should get finally the dissolution order; but I get no list of companies in liquidation.

76. That section says that when an order has been made for winding up a company, a copy of that order is to be forwarded to the registrar; so that you must be able to make up a list of all those companies where an order has been made for winding-up?—When an order of a court has been made for a company to be wound up I usually get that.

77. That comes to you from the court, does it?—No; it is generally brought to me by whoever has the carriage of the order.

78. Supposing it is omitted; I want to call your attention to this fact, that a Return was ordered by the House of Commons last Session, setting forth the number of joint-stock companies under limited liability where an order for winding up had been made; and it also went on further, asking for a great many particulars in respect of the cost of that winding-up; are you aware that the returns of the cases in your office are to the effect that no such returns have been made?—I have never been applied to for such a return as that; but if I were, I could not furnish it with accuracy. When a company is going to wind-up voluntarily, it passes a special resolution, and that special resolution they are bound to send to me. If an order to wind-up has been made, I hear nothing of it till the order of Court is brought to me, for there is no sort of concert between the Registrar of Joint Stock Companies and the court to ascertain what state they are in, or whether they are really wound up.

Mr. *Chadwick*—continued.

79. So that, supposing you did not receive a copy of that order, you would know nothing about it?—No.

80. Supposing you did not receive it from half-a-dozen companies which you knew were in liquidation, should you take any course with regard to them?—No.

81. There is no remedy to enforce the clause in the Act of Parliament requiring the registration of that in your office?—There is no remedy.

82. You do not know whether one half or 9-10ths of the companies which are actually in liquidation are so registered?—That might be so; my registers might be, so far, incomplete.

83. Could you suggest any remedy by which there could be a communication between the Court making the order and your office, in order that this clause in the Act should be carried out?—I think it would be a desirable thing that there should be a clause in the Act to say that the Court were always to send me a copy.

84. The object of the registration being made with you is with a view to the public having access to inspect such registers; I suppose they can inspect all documents on paying a fee of 1 *s.* in your office?—All documents on payment of a fee of 1 *s.*

85. You charge 1 *s.* for every separate inspection?—For every separate inspection.

86. Not for every document, but for every series of documents?—They can have the whole file of each company; when they come in and pay their 1 *s.* for a search, they have the whole history of the company, and they may search as many documents as they think proper in that file.

87. With regard to the Return which was ordered upon a motion made by me in March last, for an alphabetically-made return of the joint-stock companies who have failed to make the returns required by the Act, you have not got that completed yet, you say; it is done up to a certain point. Taking those who have failed to give an annual return, what proportion are they; are they one-half or one-third of the total number?—It is difficult to say; we reckon that there are about 7,000 going companies, and that your return will include about 5,000.

88. Of companies who have failed to make a return?—At one time or another; but then many of those are no doubt defunct companies, and I know nothing of them.

89. You have no knowledge, as to these 5,000 out of the 7,000, how many are actually given up in liquidation and their affairs settled?—No.

Mr. *Cousins*.

14 June 1877.

Mr. *Cousins.*

14 June 1877.

Mr. *Chadwick*—continued.

90. Can you suggest any practical mode by which that information should be obtained?—I suggested to the Right honourable Chairman just now, that it should be vested in the Board of Trade, going upon the principle of the Statute of Limitations, that every seventh year (which of course would amount to every year) I should return to the Board of Trade a list of companies that have been seven years continuously in default.

91. Supposing Parliament should require joint-stock companies, under a penalty, to register their printed balance-sheets, would it cause any inconvenience in your office to allow those balance-sheets to be open for public inspection?—None whatever; that is simply an extension of the present system, of giving them facility of inspection; it would simply amount to this, more space, and, perhaps, two more clerks, because each existing company would have to render the balance-sheet to me yearly, or half-yearly, and therefore there would be, perhaps, 10,000 additional documents per year to be taken in and registered; but that will amply pay itself, because on each document sent in there is a 5 *s.* filing fee; consequently it will more than pay itself.

Mr. Sampson Lloyd.

92. I think you said that there were 5,500 companies in all which have made no return whatever?—Which at one time or other within the last seven years have failed to make a return; that is the return the honourable Member for Macclesfield alludes to.

93. What is the penalty for not making those returns?—There is a penalty, but not to be proceeded for by me; the penalty is given in the 27th Section of the Act of 1862; it is 5 *l.* for every day during which the default continues.

94. Can you explain why there is no means of recovering that penalty?—Because it rests with the common informer to sue for it: to bring them into the Lord Mayor's Court, for instance.

95. Could not any shareholder do so, if he chose?—Certainly.

96. Therefore there is a means of enforcing the penalty?—But it is wholly with the public, not with a public officer.

97. I think you also said, in answer to the honourable Member for Sussex, that seven persons may form a company and pay up nothing; is not that the case with all the unlimited companies, just as much as with the limited ones?—I should say it was.

98. It is not a peculiar case to the limited companies; it applies to all?—To all.

99. Are there not cases of persons, for instance, applying to Parliament for a railway Act without having subscribed a shilling?—That may be, but, as a rule, I have nothing to do with railways.

Mr. *Rylands.*

100. With respect to the penalty which is provided by the Act of 1862 for non-compliance with the provisions of the Act, is it your opinion that a much smaller penalty, the levying of which would rest with the Joint Stock Companies' Registrar, might be very much more operative than this very extensive penalty of 5 *l.* a day, which depends on the common informer and the shareholders?—It is possible that might be so; but it would be a very onerous duty for the Registrar to have to proceed for penalties.

Mr. *Rylands*—continued.

101. Do you think that if the suggestion which you have made were adopted, that in the event of a joint-stock company not making a return for seven years, it should be struck off the list, in fact, taken as non-existent, that would be likely to have the effect of making joint-stock companies more careful in making their returns?—I think it might, and it would also clear the way for new companies. I am so embarrassed now by the identity of names; that was what prompted my suggestion.

102. Do not you think that, apart from the advantage which you would derive in that respect, there would be a very great public benefit if joint-stock companies which have ceased practically to exist could get out of existence without the operation of a legal winding-up being compulsory?—Undoubtedly. I think that that deters a great many companies from proceeding to wind up. I may mention a case that happened only yesterday. There were three gentlemen at Southsea, officers, I believe, who wished to form a skating-rink, and they induced four other people to join them in registering this skating-rink as a company. Their solicitor called upon me yesterday, and he wanted to know how the company could be put out of existence. My answer was, only by a voluntary winding-up; but he said: "These three gentlemen have already paid the expenses of registration out of their own pockets, and they are not going to pay any further expenses for voluntary winding-up; we want the company put out of existence." I said, "You cannot put it out of existence except by a winding-up." He said, "What are we subject to?" I said, "To penalties, for not rendering your annual return to me." "Who will sue for that?" I answered, "The common informer." "We will run the risk of that," said he; "but we would very much rather that there was some easy mode by which we might die a natural death without resorting to voluntary winding-up." The reason of the failure of that company was that there were difficulties in getting the land for the purpose; all the land round about there could only be got subject to restrictive covenants, so that the company actually failed from being incapable of being brought to maturity. I know there are other cases of abortive companies that have failed from the same cause. There was the instance of the Farnboro' District Gas Company; in registering its memorandum it made a mistake in the county; it gave the county of Surrey, instead of Hants, and it could not carry on its operations. In order to rectify itself, it had to register a new memorandum, but it could not get rid of the old one. Then, again, there was the case of the Liverpool and Manchester Property Company; in registering its memorandum of association it took no power to acquire freehold as well as leasehold property; and that being a great defect in its objects, in fact its principal object, it became abortive. Then there was a patent company, in which there was some defect in the agreement under which it bought the patent; that became abortive. All of these wanted to die a sort of natural death, if I may say so, without going into liquidation.

103. In fact, they wanted an inexpensive mode, in which they could get rid of the existing inoperative company in order to pave the way for creating a new and operative company?—Yes.

104. But I will put another case. A company carries

Mr. *Rylands*—continued.

carries on business under a certain name for a certain number of years, and then disposes of its *corpus* to another company, and then practically ceases to have any interest in existence; but that company, although its property has been transferred to another company, all its goodwill and everything belongs to that other company, is still legally in existence, unless it is wound up?—Yes, and it is on my register.

105. If it went up to the courts to be wound up, would it not take precisely the same course as a bankrupt company that could not meet its engagements, and appear to the public in that light?—Yes, and that is the view they take.

106. You will quite see that under those circumstances such a company would rather shrink from a course which would lead to an impression going abroad that they were unable to meet their engagements, when, in fact, they had transferred their property to some other company?—I quite see that.

107. Do you not think that some other mode, in addition to the seven years' statutory period which you have suggested, might be provided, by which companies such as you have described, abortive companies, or companies such as I have described, who transferred their interest, should have a ready and easy mode of getting out of existence?—It has been suggested by the gentleman who takes that branch of business in my department, that subscribers, where there has been no operation whatever, and where the company has really not come to maturity, that, say the seven subscribers who signed the original memorandum should sign a notice to me or make a statutory declaration that they had not commenced operations, and return the certificate of incorporation; that is to say, where they had not incurred any liabilities whatever; if any liabilities have been incurred, of course they must go to the court for winding-up.

108. That would establish a ready remedy in the case of abortive companies, but you do not suggest any mode of dealing with companies that have been carrying on business, and have ceased to do so?—No; with regard to the case of a company which becomes absorbed, such as the honourable Member speaks of, I am not prepared with any suggestion as to how it should, as it were, annihilate itself.

109. Would you consider that it would be desirable, with a view to secure the rectification of the register by the returns being more frequently given to the registrar, that there should be two periods named; that is to say, that there should be first a period, say within three years, when, if there had been no return whatever, the registrar should make a formal representation to the company, giving them a notification that unless there was some return made, the company would be dealt with under the Statute as being inoperative?—If authorised to do so, I can do that at the end of every three years.

110. Then you would suggest that at the end of seven years the company should become actually defunct?—Yes.

111. Would you propose that, in addition to wiping it out of your register, there should be some public notification of it in the "Gazette"?—I think there should.

112. And in the case of a company which continued to transact business without sending in returns, and which was so struck out of legal existence by the "Gazette," what would you propose should be done with the members of that company; would you propose that they should become an unlimited liability company?—That all the benefits that they received under the certificate of incorporation should be taken away by notice from the Board of Trade.

Mr. *Rylands*—continued.

113. Then, in fact, they would become an unlimited ordinary trading company?—An ordinary trading company; but then, if there were more than 20 persons, that would be illegal. They would no longer exist as an association. Every company of more than 20 persons must come and register under this Act; and then in the case put, the Board of Trade would, in consequence of their own default, take away their existence as a corporation.

114. But if they went on trading, what would stop them?—It would be the same as now in the case of companies that do not register.

115. Of course there are some companies that are carrying on business that do not send you returns, and that may go on, despite all your warning, for seven years; then you would notify in the "Gazette" that these companies have ceased to have the benefit of this Act; but they still continue to carry on business; what I understand you to say is, that if they had more than 20 shareholders they are illegal, they cannot sue or be sued for their debts in such a case?—No; they could not. All those powers would be taken away by the abrogation of their incorporation by the Board of Trade.

116. Do not you think that, with regard to the register of mortgages that you have mentioned, there would be practical objections to that arising from the fact that that also would require constant rectification from time to time?—Of course companies who are defaulters in making their annual returns would be defaulters in that respect, unless Parliament took such steps as to compel them to do it.

117. But under the present Act any person can require to see the mortgage register, and if the company's servants do not allow him, they are liable, are they not, to a very severe penalty, which he himself can enforce against them?—They are, no doubt; but I think very often persons who want to search a register of that kind would rather go to a public office than to the office of the company itself.

118. But in the case of the public office they would go there, there would be, perhaps, no information there, and they might go away with the idea that there was no mortgage?—If it were rendered obligatory that they should furnish that, I think that in all probability the companies would comply with that obligation.

119. With regard to the directors and the officers, how low down would you suggest that that return should go?—Only to the same extent as the 45th section of the Act of 1862 directs.

120. The 45th section only has reference to the register of directors of companies not under the Limited Liability Act?—That 45th section applies to unlimited companies, but it does not apply to limited companies.

121. And you suggest that it should be made to apply to limited companies; but I understood you to say, in reply to the Right honourable Chairman, that the manager should also be included?—Managers are specified in the 45th section, you will observe.

122. It

Mr. *Cousins*.

14 June 1877.

Mr. *Cousins.*

14 June 1877.

Mr. *Rylands*—continued.

122. It says, "directors or managers," not "directors and managers"?—The governing body. That is what the public come to us for; they want to know the names of the governing body in the limited liability companies. They say, "You give it in the unlimited companies, why do you not give it in the limited companies?" and we say, "There is no obligation on the part of those companies to furnish us with that."

123. You would be satisfied if the Act included the acting directors?—Yes; I think if the governing body, that is to say, the directors or acting directors were given, that would suffice to meet the wants of the public.

Mr. *Alexander Brown.*

124. With regard to the returns that are put upon the table year by year, a great many of the companies, I see, make no returns under the various headings; how does the law now stand with regard to when a company is being registered, as to making a return as to "the number of shares taken"; as to the "total amount of calls received"; as to the "number of shareholders in company at date of last return," &c.; ought those to be given to you in the proper returns at the time of the registration of the company?—At the time of the registration of the company they should simply give me what is defined by the 8th section; that is in the memorandum of association; and the form of memorandum is given in the schedule to the 1862 Act; that is the name of the company, the registered office of the company (that is whether it is in England, Scotland, or Ireland, or within the district of the Stannaries; they need not name the place or street then); they should next state the objects for which the company is about to be formed, whether the liability of the members is limited; and they should state the amount of the capital, and into what shares it is to be divided. That is all they give me when they come to register, unless they bring in articles. Articles are defined in Table A; they are what may be called the laws by which the company is to be governed, and if they do not bring in articles of their own the articles given by this Act apply to them as a matter of course; if they come without articles they take the articles given by the Act. At a subsequent stage of their existence, that is within four months from the time at which they are registered, they ought to send me a return of their shareholders; and that return should give this information: the nominal capital, the shares into which it is divided, the number of shares taken up to the date of the return, the amount called upon each share, the total amount of calls paid, and the total amount unpaid, and the total amount paid on shares forfeited.

125. That is given within four months of the date of registration of the company, you say?—Yes.

126. You will find in the Parliamentary Return that a great portion of the companies, a number of them all the way through, do not give those returns; is there any penalty upon them for not giving those returns?—The 27th section applies to those not giving that information in the return.

127. You are not authorised to send notice to the companies compelling them to send you returns?—I am not. My predecessor did that; he sent out circulars from time to time, but on a certain case coming before the Lord Mayor's Court, where there had been default in making these returns, the parties put in a plea that they had not received the registrar's circular, asking for the return, and after that it was thought desirable to discontinue it, there being no obligation on the part of the registrar to send such a circular.

Mr. *Alexander Brown*—continued.

128. Do you think that after a company is registered these returns ought to be given within four months, and that you should have power to enforce that?—I think they ought to be given, and that there should be power to enforce it, but I am not so sure that that power should reside with me; I think it should reside, if anywhere, with the Board of Trade. I might give them a list from time to time, but I think that if I were entrusted with the onus of enforcing the returns it would be grafting on to me duties not considered consistent with my ministerial office. I might recommend the proceeding to the Board of Trade.

Mr. *Goldney.*

129. With reference to the winding-up of those companies where there are no creditors to interfere, you said there was some difficulty about that?—Yes, they want some easy mode of winding-up and putting themselves out of existence. As the law at present stands, there are three modes of winding-up; either by order of the Court, or by a voluntary liquidation, or subject to the supervision of the Court.

130. I am confining you now to voluntary liquidation; supposing the case of these parties you refer to having no further wish to go on, all they have to do is to call a meeting and appoint a liquidator, is it not?—Yes.

131. Under the 129th section of the Act of 1862?—Yes.

132. Then this liquidator, if there are no debts, or none that they do immediately apply for, merely makes a statement of accounts, and himself calls a meeting, does he not?—I am not *au fait* with the mode of working.

133. Let me take you by steps; under the 129th section, supposing the parties wished to wind up, they simply pass a special resolution?—Yes.

134. And that resolution has to be registered with you?—Yes.

135. And also has to be advertised in the "London Gazette"?—Yes.

136. Then they appoint a liquidator; and immediately on that appointment all the powers of dealing with a company vest in him instead of the directors?—Yes.

137. Then the next thing he has to do, is to make out an account?—He sends me a liquidator's return.

138. Then supposing the account is practically a nominal one; he makes out that account and himself calls a meeting and declares the thing wound up?—Yes.

139. And under the next section, at the end of three months it is wound up?—Yes.

140. Supposing that was wished to be done by parties who have failed in these instances you have named, it would be almost a nominal affair, would it not?—Yes, I should think so. They object to issue a notice under the 132nd section.

141. But surely if people give a notice that they have constituted themselves into a public company, some one ought to have a notice of their intention to wind up, with a view of calling the attention

Mr. *Goldney*—continued.

attention of the creditors to it, if there were any?—I can only state the fact that that is their objection, that they object to advertising to the world under that notice that they are winding-up.

142. But do you not think it right that the world should have some notice or other that the company is going to determine its engagements if they have advertised themselves as a public company?—I certainly think it would be so in the case of companies which have done any business; but in the case of abortive companies, I do not see any necessity for it.

143. Take the case of an ordinary partnership privately constituted; would you do away with their giving notice in the "Gazette" of their intention to determine that partnership?—No.

144. Why would you not require it in the case of a partnership publicly constituted?—These people have never done any business.

145. They may tell you so; but would you, from your experience and knowledge, think it right, when they have registered in themselves as a public company, that they should come and say, "We should like that sheet torn out and cancelled," and that you should have power to do that without further authority?—I think there would be no impropriety in that, when they make a declaration that they have never come to maturity at all.

146. Your view would be, instead of the notice in the "Gazette," to have a declaration filed with you, and to make the falsity of that declaration penal?—Yes.

147. Then supposing the company does nothing, and does not take the steps for winding-up, the only effect of that is that they are liable to render an account to you annually, that is to say, that they have done nothing?—Yes, that is the only effect; they are liable to be proceeded against by a common informer.

148. And if they said, "We have received no assets, nor have we paid anything," that would answer the statute, you think?—That would not answer it, because that is not in the nature of the return they are required to make.

149. But if they filled up the form of the return, that is all that you would require?—But that would not finally put them out of existence.

150. But that is all they would have to do, supposing they chose to keep themselves alive?—That is all they would have to do, so far as I know.

Mr. *Orr Ewing*.

151. You were asked by an honourable Member whether it would not be an advantage to give greater facilities for putting an end to the existence of public companies formed under the Acts of 1862 and 1867; would not that tend to encourage the formation of these companies?—I do not think it would have that effect; I merely propose an easy mode of getting rid of abortive companies, or of companies that do not think it worth their while to be wound-up. As the case now stands, they do nothing but encumber the register.

152. But when a number of men, generally seven, start a company in the hope of taking the public in in some way or other, and fail, would it be of advantage to the public that they should be let off without some trouble and expense?—Certainly not.

153. Then the answer which you gave was

Mr. *Orr Ewing*—continued.

more in the interest of those who promote the companies than of the public generally?—It was in the interest of those who promote the companies, and in the interest of clearing away names off the register.

154. But ought not all companies to have organised the company before they come to ask you to register?—They may have agreed, but registration is the first step contemplated by the Act. A certain number, say seven gentlemen may have agreed together to form a company, but registration is the first step in the birth of the company, as contemplated by the Act of Parliament.

155. I understand from the Act that the intention of registration was to limit the liability of parties after they had formed the company, not previous to the formation of the company?—That is one of the intentions of the Act.

156. Is it not the main intention that the company should be in existence before it is registered?—There may be an intention to form it, but I should suppose that even before the prospectuses are issued registration should take place.

157. As a company?—That it might exist as a company; seven or 20 persons, for instance, might undoubtedly have agreed together to form a company, before ever they came to the registrar; that would be necessary, but I do not apprehend that they should have issued any notice to the public, inviting them to subscribe, until they have actually been to the registrar and got the certificate of incorporation.

158. I presume that the policy of passing those Acts of Parliament was with a view to the public advantage?—I am not able to answer that; I had nothing to do with the drafting of the Act, and I am not able to speak as to what the policy was.

159. But it was for the development of trade?—Undoubtedly.

160. Do you think that the Acts have answered that purpose?—Looking to the number of companies registered, I should say so, certainly.

161. But looking to the result of these companies, do you think that it has been to the public advantage that these Acts have been passed?—That is a larger question than I am able to give an opinion upon.

162. From your intimate knowledge of the failure of so many companies, cannot you give us an opinion?—The honourable Members of this Committee are quite as competent to form an opinion upon that point as I am.

163. I should like your own opinion?—If we take the figures of the companies which have been formed, and which are going on, I should say that it had been an advantage.

164. But you would like to have these companies put on a solid footing, if possible?—Yes, certainly.

165. And instead of giving facilities for winding up the sham companies, do you not think it would be of some advantage to the public if the same means were taken in the case of companies formed under these Acts that are taken with private companies for which an Act of Parliament is being asked, namely, that they should deposit a certain per-centage of the capital when they were asking for registration?—I think it would be an advantage to the public generally

Mr. *Cousins.*

14 June 1877.

Mr. *Orr Ewing*—continued.

that they should be compelled to state that at that moment a certain amount had been subscribed.

166. Not simply to state, because people can state anything, but to deposit the money, as in the case of railway companies?—No doubt it would be a great advantage if any department could undertake such a responsibility.

167. Is there any responsibility in getting money?—But somebody for the time being would have to be the custodian of that deposit.

168. Do you think that the benefit to be gained would not be worth the trouble of preventing sham companies, which are intended really to rob the public, from being started?—I think, most undoubtedly, it would tend to foster *bonâ fide* companies.

169. And you would prefer that, would you not, to giving greater facilities to wind-up these companies?—I think that the two considerations might be combined.

170. You think that there ought to be facilities to wind-up companies?—Abortive companies, which, from some accident or other, never attain the object they were intended to attain.

171. You would not rather put a penalty upon those parties who started these abortive companies?—I think that in some cases, as, for instance, in the case of the Southsea Skating Rink, which I mentioned just now, it would be very hard. In that case they could not get the land, to begin with, owing to the restrictive covenants; and in the next place, whilst they were looking about for it, the rage for skating-rinks ceased, and therefore there was no reason for going on.

172. But should not the promoters of the scheme have had the money ready for the scheme?—Not the whole money; they intended to invite persons to join in the scheme.

173. Not all paid up, but all subscribed for, and a certain per-centage paid up?—In that instance they were, I think, *bonâ fide* promoters; they were naval and military officers, but there was no object in bringing the company to maturity.

Mr. *Knowles.*

174. Are not you aware that railway companies have to deposit a certain amount before they come for a Railway Bill?—I am.

175. There is a custodian for that somewhere?—But if you extended that to joint-stock companies generally, it would be a very large undertaking. I was simply looking at the amount of business it would entail upon any particular department.

176. But when a railway company get their Bill, and it is found to be a *bonâ fide* transaction, they get their money back, do they not?—I am not sufficiently acquainted with the Railway Acts to say whether that is so or not.

177. But supposing it is so; when a limited company is found to be a *bonâ fide* transaction, instead of one of a speculative character, they might have the money which they had deposited returned to them, might they not?—That is quite feasible, if Parliament would sanction a department to carry it out.

178. Do you suppose there would be anything harsh in requiring that when a number of men came to register a company, with a capital, say, of 100,000 *l.*, they should have to deposit, as a guarantee of the genuineness of that company, say 5 per cent.?—I think it is no hardship whatever on the promoters; I think it would be a proper pledge to give of their *bonâ fide* intentions.

Mr. *Knowles*—continued.

179. You have told the Committee that four months after the registering of a company you have a return of the number of shares taken, and the amount of shares paid, and other particulars?—That companies should make such a return, and are bound, under the 26th section, to do it.

180. Would there be any great hardship in providing that every year afterwards they should have to make a similar return; for I see, from the return, that several years ago some companies had a certain amount paid up, and the year following the same amount remains, and for many years the same amount remains?—It is a yearly obligation.

181. Would it not be well to attach some heavy fine in case they do not make a correct return?—The fine may be said to be heavy; it is 5 *l.* a day; that is by the 27th section, yet it is inoperative; but then, of course, what is everybody's business is nobody's business.

182. Can you suggest any means by which it might me made somebody's business?—By instituting a public prosecutor.

183. In making such returns as to the amount called upon shares, do you think it would be a wise thing, or not, to have stated the amount of money borrowed by each company on preference shares or on mortgage?—I think it would be wise to give the utmost publicity to the state of affairs of all registered companies; in fact, that it would tend to keep the governing bodies straight.

Mr. *Shaw.*

184. Do you not think it would be wise to give greater facilities for winding up all companies, as well as abortive companies?—Where they have incurred liabilities, I think the facilities are already sufficient.

185. But they must cease to exist legally, and hand over all property and assets to the liquidator?—Yes.

186. And that means, generally speaking, an expensive and slow process?—Yes.

187. Is there any reason why, with regard to a *bonâ fide* company, its directors should not be able to wind-up its business like any other concern, giving due notice to the creditors, of course?—I do not think that they ought, without some State department, such as the Board of Trade, interfering to ensure such notice being publicly given.

188. But there is no reason, is there, why they should not cease to be a company; no reason why they should not wind-up their own business, giving due notice to all parties concerned?—The present mode of winding-up might be retained, I think, where any amount of liability had been incurred; and for small companies, or abortive companies, I would make some such provision as I have suggested, under the supervision of the Board of Trade.

189. Is it not becoming more common every year for *bonâ fide* firms to transform themselves into limited companies?—Yes.

190. And is it not a great hardship, in case they wish to amalgamate with another company, or to wind up their business, that they should not be able to do so?—But they encounter that difficulty; they bring it upon themselves when they go in for registration.

191. But

Mr. *Shaw*—continued.

191. But is there any reason why they should not be able to do it, like other business firms?—Just as a safeguard to the creditors concerned, if they have carried on business for any length of time, I think they certainly ought to be publicly wound-up.

192. By the 112th section, I think, of this Act, you are to get a notice of the dissolution of the companies which have been in liquidation?—As a rule, I get it.

193. That is the final step, I suppose?—That is the final step in the court winding-up.

194. You have received those in all cases, have you?—I cannot tell positively, but I think that that regulation is pretty fairly observed. The honourable Member for Macclesfield, I think, was suggesting that there should be concert between me and the High Court, with a view to my getting that with greater accuracy.

195. There is a penalty in the Act on the official liquidator, if he does not send you notice of that dissolution?—Yes.

196. You can, therefore, really furnish an account of all the companies that have been wound up?—Of all that I know to have been wound up, where I have been duly furnished with that information; but then I cannot say but that some have been wound up, or are winding up, without my getting that notice.

197. You get two notices: first, of the intention to wind up, and then the final notice of their being wound up?—The orders of the Court.

198. You could furnish us with a table showing the dates of those two steps, and the time it takes, generally, to effect that object?—I can have such a return prepared, if that time is to be guaged by the interval between the time of the filing of the winding-up and the dissolution orders; but then the orders might not be filed till some time after they were made by the Court.

199. Would you have a public registry of debentures as well as mortgages?—I should have a public registry of anything that was a charge upon the property of the company of any burthen, whether in the shape of debenture or mortgage, or anything else.

200. In a public office?—In a public office, for the inspection of the shareholders, because they so very often meet with impediments at the office of the company itself.

201. I think you stated that if they sent in all their balance-sheets you could keep them at your office?—That there would be no inconvenience in my registering them.

202. Does not your department get a statement at present from all the insurance companies of their condition?—The Board of Trade does, and they send it on to me to file for public inspection.

203. And that gives a full account of the state of each company, its liabilities and assets?—Yes.

204. And anybody looking at that return can form a good notion of the condition of the company?—Yes. But I understand that the Board of Trade have difficulty sometimes in getting that return; I think they have to write as often as three or four times for it in some instances.

205. Do not you think that something of that kind would be better than your having the balance-sheets tabulated?—There is no objection whatever to that, as far as the filing and registration goes.

Mr. *Isaac.*

206. I understood you to say that the appointment of an official liquidator was for the protection of the creditors, that it is an advantage to the creditors?—I believe that is so; I have had no experience of that; all I know is, that I get the resolution to wind up, and the orders of Court; and, in the case of a voluntary winding-up, the liquidator's return.

207. You have no means of obtaining those returns unless they choose to send them to you?—No.

208. And no account of how long the winding-up takes?—Only by inference, from the interval which would elapse between the first notice and the receipt of the final order.

209. The Act of Parliament, I believe, compels the companies to make a return of all the special resolutions?—It does, under the 53rd section.

210. And you consider any resolution for the purpose of increasing or decreasing the capital a special one?—Yes. In some cases there may be power under the articles.

211. Do you get those returns?—I think that, as a rule, that section is pretty strictly observed.

212. A company could increase their capital, and you know nothing of it?—We should find it out by comparing the next annual return with the preceding one. I have always thought that I had power to call their attention to such a circumstance appearing on the return. Then if they said it was done on such and such a day by special resolution, I should say, "You have never sent me that to file"; in that way I should get it.

213. But you have no means of knowing it, unless discovering it yourself from a comparison of the return?—I should have no opportunity.

214. The company could, immediately after making a return, pass a resolution to increase their capital, and you might not know it for at least 12 months afterwards?—Yes.

215. And the money would be, perhaps, gone by that time?—Yes.

Mr. *Ashbury.*

216. I think I understood you to say, that any change in the directors, after the original formation of the company, should be duly registered with the registrar?—I said that, so far as limited liability companies are concerned, we do not now get that information, and that it might be well for us to get it.

217. Do you not think it would be an advantage, at the same time, to register the stock held by such directors?—There is no reason why it should not be done, and probably the public would be very glad to have that information.

218. Now the seven persons signing the memorandum of association are the original board of directors?—They become, under Table A, the board of directors until other directors are appointed.

219. And in the event of their acting, do they do so by virtue of their original subscription, say one share each, or by a subsequent qualification?—No, by that simple qualification. There is a disqualification in the Act for directors, but there is no actual qualification; and in that respect the Act is often considered faulty by companies themselves, because under their own articles they fix a qualification.

220. So that if these seven original men, who

Mr. *Cousins.*

14 June 1877.

Mr. *Ashbury*—continued

sign for only one share each, continue to act as directors, having less shares than what is specified by the articles of association, they would practically be acting illegally, not being duly qualified?—I do not quite follow the honourable Member.

221. Supposing the original seven directors continue to act by virtue of their holding one share each, that number of shares being less than the number specified by the articles of association, they would thus be acting illegally, not being duly qualified?—They would, if they in their articles of association had provided a qualification. The Act itself provides no qualification for directors; it disqualifies them in certain circumstances.

222. The articles generally specify the qualification?—That is voluntary on the part of companies when they draw up articles of their own and reject those which are in the Act.

223. As far as the letter S, I think you state that there are some 4,700 defaulters, or companies who have not rendered any return?—At some time or other during the seven years.

224. Have you any statement showing the number of going concerns or dividend-paying concerns which have made no return?—No; I have no such statement, but I think I could get you out an approximate statement.

225. If I understand you correctly, that number, 4,700, applies to *bonâ fide* going concerns, and concerns which practically, according to your opinion, ought to be struck off the register?—It combines both.

226. Do you find that, as a general rule, sound dividend-paying companies do make returns?—I think they do, at some time; they may neglect it for a year or two, but I think they would, generally speaking, do so.

227. What object has a good company to gain in failing to make such returns?—Very often the size of the return may be a reason; the return of some companies, the Anglo-American Telegraph Company, and the Army and Navy Co-operative Stores, is about four times the thickness of that book (*pointing to a book*): viz., 400 foolscap pages.

228. What remedy would you suggest to ensure periodical returns from all companies, going concerns, or otherwise?—I think that, if I were authorised by law, it would be really no bad plan to refresh their memory from time to time by circular.

229. But would you not have any remedy, or not any beyond that already existing in the 27th section of the Act of 1862?—If desirable, I might render a list of defaulters to the Board of Trade, to whom Parliament might give certain powers to act.

230. I think I am right when I say that I understood you to state that in connection with the 27th section of the Act of 1862 there did already exist a penalty of 5*l.* a day?—There is such a penalty.

231. And that such penalty, be it more or less, might be sued for by a common informer or other person, or by a shareholder?—Yes.

232. Supposing the common informer sued for that penalty, and succeeded in getting a judgment, would he personally benefit under this judgment, or to whom would the benefit go?—The penalties go to the Exchequer, after paying costs, I think.

Mr. *Ashbury*—continued.

233. Then, if I understand you rightly, if it suited the purpose of any shareholder, or any common informer, to sue any particular company for arrears of penalties at 5*l.* a day, he would not benefit by any judgment?—No; I think there is some power in the Act to award a portion, but I think it is scarcely ever done in practice; we have only known of one or two instances brought before the Lord Mayor's Court.

234. If the power does exist, it would be quite competent to anyone to enter an action; assuming damages to be given to the common informer, would the limited liability company have any right of appeal?—They have no right of appeal under the present Act, so far as I know.

235. Supposing a board of directors or secretary had failed to make any returns of a good going company, would it not be advisable that the shareholders should be informed of the position of matters before any notice should be given in the "Gazette" to the prejudice of the shareholders?—By what machinery would you inform the shareholders, may I ask?

236. That is the question: if a board of directors or secretary fail to advise the registrar through these returns, and any official notice is given to wind up the company, the probability is that it must be to the prejudice of the shareholders generally, who would be blameless in the matter?—Parliament might order, before any severe step was taken, that the thing should be published in the leading publications.

237. Supposing a limited liability company is yearly losing money by bad debts or mismanagement, but is perfectly solvent, and a bare majority of shareholders is desirous of winding-up such a company, what means, in your opinion, should be adopted to prevent their winding it up against the opinions of a large minority?—I am afraid that is a question on which I ought not to offer and cannot offer an opinion.

238. Have you ever had any complaint against one or more companies for acting *ultra vires* of their powers?—I do not recollect any.

Mr. *Edward Stanhope.*

239. You had nothing to do with that return relating to insurance companies to which the honourable Member referred?—I had not.

240. All you have to do with respect to insurance companies is to register the returns sent to you from the Board of Trade?—Yes; I am a a mere custodian of papers for the convenience of the public to inspect.

241. When you spoke of making winding-up easier, I suppose you would think it desirable that in any case there should be some means of ascertaining whether or not there are any existing liabilities?—Undoubtedly.

242. And, therefore, you propose that there should be a certificate given to you from the company that there are no liabilities?—Yes.

243. Do you think that that certificate would be worth anything at all; I mean, have you any means of looking behind it?—None.

Mr. WILLIAM NEWMARCH, F.R.S., called in; and Examined.

Chairman.

244. HAVE you had much to do with joint-stock companies under the law of limited liability?—I have paid some attention to that subject.

245. In what capacity has your attention been paid to it; have you been concerned in many of them?—My acquaintance with joint-stock companies has been entirely of a practical nature; partly as being concerned in the administration of them, and partly as having to deal with them as applicants for borrowing money, and in other practical forms.

246. Is there anything that you could suggest to the Committee for the purpose of improving the working of the law with regard to the formation of companies?—I have had put in my hands a Bill now before the House of Commons called "The Companies Acts Amendment (No. 2) Bill," which I have looked at carefully, and on the whole I consider it to be a useful amendment of the law.

247. That is a Bill brought in by Mr. Chadwick and Sir Henry Jackson?—Yes.

248. Have you any observations to make upon that Bill?—The gist of the Bill consists in requiring, as part of the proceedings for the formation of a limited liability company, that: "Every prospectus or notice announcing for subscription, or containing an invitation to subscribe for, any share, bond, debenture, or other capital of any company under the Companies Acts 1862 to 1877, shall comply with the following requirements: 1st. It shall state the names, addresses, and occupations of the vendors of any business or property intended to be sold to or to be acquired by such company. 2nd. It shall state the date of, and the names of the parties to, and the material contents of every contract, other than contracts for supplies or services not exceeding," and so on; and then, "3rd. It shall contain a copy of the memorandum of association of the company, and of the names, addresses," and so on. Without pledging myself that that is the best form and phraseology in which to set out the intention, I believe that the object is a good one, and that, if carried out, it would prevent a good deal of the mischief which arises from the launching of companies not of a *bonâ fide* character.

249. You observe that if it is not complied with, the prospectus is made "fraudulent on the part of every promoter, director, trustee, or officer of such company, who has knowingly issued, or been concerned in the issue of, such prospectus or notice, as regards any person applying or subscribing for any share, bond, debenture, or other capital in the company on the faith of such prospectus or notice, unless such person has had notice of the omitted particulars;" do you approve of that?—I do.

250. What do you understand would be the effect of its being fraudulent on his part; would it alter the position of the company?—I understand that the effect would be this: that parties previous to forming a joint-stock company for the purpose of any business would feel themselves, under the pressure of a clause of that kind, compelled to be very precise in setting out the whole material facts of the case. Now, looking back at the experience of the last 12 or 14 years, undoubtedly nearly all the worst abuses under the Act of 1862 have arisen in cases where there has not been a sufficient disclosure of those actual material facts which would influence a person of ordinary prudence in determining whether he would put his money into the concern or not.

Chairman—continued.

251. What do you understand would be the effect of making it fraudulent on the part of these persons not to comply with the requirements mentioned in the Bill?—That a person invited to be a director of a company of that kind would very carefully consider whether he might not stand at the bar of the Old Bailey.

252. Scarcely that, I think; there is no such offence known to the law of England as fraud, is there?—I am not a lawyer, but if the fraud is big enough, a man guilty of it gets to the bar of the Old Bailey.

253. Assuming it not to have a criminal effect, what would be the civil effect of that clause?—The civil effect would be that the man would be subject to actions being brought against him by all and sundry of the shareholders, and might be harassed out of his life.

254. What would the action be for?—For concealing something which he ought to have disclosed.

255. What would be the measure of damages?—That would depend entirely on the circumstances.

256. You make the thing fraudulent; that means void, I suppose; what would be the effect of that on the man; supposing such a case to arise, what do you suppose to be the position of such a person?—We are not now speaking entirely of suppositious cases; but this case is very easily to be conceived, that Messrs. A, B, & Co. propose to sell a business which has been in operation for a given time, and in the prospectus or papers inviting subscriptions the results and profits of this business are not set out as they ought to be in the terms of truth; but the business is made to appear better than it is, and, under the influence of a representation of that sort, the shares are taken, and the company goes into operation, and it is then found that money has been given for something quite different from what was described in the prospectus. I should call that a fraud, and I should say that people who put their money into a company of that sort, by reason of representations of that kind, would have a right to say that they had been cheated, and would proceed accordingly, whether by civil or criminal remedy.

257. On what principle would one of those persons have a right to recover?—He clearly would have a right to recover the money he had put in and lost, I imagine.

258. Is there any other observation on this Bill which you have to make to us?—Yes; I think the forms of account proposed to be rendered obligatory in the schedule of the Bill are, on the whole, appropriate forms of account. Of course the difficulty in prescribing a form of account in an Act of Parliament is that the same form of account, by the necessity of the case, has to apply to very varying circumstances; and, on the whole, I think that the form of account here would be found suitable in a very large majority

Mr. *Newmarch*, F.R.S.

14 June 1877.

Mr. *Newmarch*, F.R.S.

14 June 1877.

Chairman—continued.

of the cases to which it has to be applied; and it certainly is convenient on many grounds that the accounts rendered by public companies should be in some uniform shape.

259. This account is to be rendered pursuant to Section 7, is it not?—Yes.

260. "As near thereto as practicable;" would there be no difficulty in those words, do you think?—No, I think not; there should be a certain latitude allowed.

261. "And there shall be annexed to every such balance-sheet a profit-and-loss statement in the form set forth in the schedule, or as near thereto as practicable;" you see no disadvantage in that?—No; I see great advantage likely to arise from the adoption of a form of that kind. There is one suggestion I should like, though I do not see it in the Bill; I think the law might very fairly say as regards public joint-stock companies, where the shares are held by persons scattered up and down the country, that the proceedings of all the public meetings of such companies, according to the shorthand writer's notes, should be circulated in a convenient form. I have seen a great deal to convince me of the convenience which would arise from a regulation of that sort. Meetings are attended by only a very small number of persons in a great number of cases, and the persons who are not able to attend ought, as far as possible, to be put on the same footing as persons present, and that is best accomplished by the shorthand writer's notes being put into a pamphlet form and circulated.

262. Have you any other suggestion to make to us with regard to the Bill?—I am entirely in favour of the power proposed to be given by Section 9, of reducing the capital of a company. Indeed, the result of my experience of the operation of companies is this, that the closer public companies, whether limited or unlimited, can be assimilated to private partnerships the better. Every facility should be given to them by the law which can be given without doing an injustice to third parties; and, therefore, in the case of a public company, where the course of its business has been unfortunate, and the balance-sheet is only to be adjusted by writing off a certain part of the paid-up capital, as would be done by any private partnership, subject to due notice being given to the parties concerned, that should be done. No good can arise from hampering the operation of those trading concerns in any way, which is not distinctly required by some object of public morality or convenience. I would say, further, that I have not the smallest faith in any paternal or protective legislation as regards these companies. Nobody is bound to give them credit, at least in the first instance; they trade exactly upon the reputation which they are able to establish for solidity and skill in the business they undertake; and any attempt on the part of the Legislature to interfere unduly for the protection of creditors, people who are not bound to give them credit for a farthing unless they like, seems to me, to be going entirely in the wrong direction.

263. You do not think that Section 4 of the Bill infringes that rule in any way?—I think not; I think it stands upon a different ground altogether. I should like to add, also, that it appears to me that the time is now come when the greatest service which the Legislature could confer upon this kind of enterprise would be to

Chairman—continued.

consolidate the law. The legislation began under an Act which you, sir, had a great deal to do with in 1856, I think, and then went on to the great measure of 1862, and was then followed by the very important modifications of 1867; and there has been, as we all know, a course of constant litigation before the courts during the last 10 or 12 years. The effect of that litigation has been, I consider, to establish the outlines of a very sound commercial code as regards those companies; but the code is dispersed, it is very difficult to find out, and is in many respects uncertain; and now the greatest service that the Legislature could render would be that the law should be consolidated. It is not for me to prescribe how that should be done, but I am sure that is the most urgent thing which is now required. If the law relating to these public companies could be made perfectly clear and certain, the possibility of abuses occurring would be lessened at the very outset, and the whole course of dealing with these companies would be simplified in the highest degree.

264. You are aware, of course, of the section in the Act of 1867 which has been recently the occasion of so much litigation, the 38th?—Yes.

265. Do you approve of that section?—I most entirely approve of that section.

266. Do you consider that it requires any alteration or amendment?—The litigation would seem to show that it is not so clear as it might have been made; but the principle of the section is perfectly sound, requiring the disclosure of all contracts which it is material for the persons invited to part with their money to know. It must always be remembered that the persons who put out a prospectus inviting the general public to come into a certain undertaking, the prospectus-makers, or promoters, or whatever you call them, have all the facts on their side, and it rests with them to disclose all the facts as fully or as incompletely as it may suit their purposes. The people on the outside have not got the facts, and therefore the competition between the two parties is not fair; and it seems to me to be the clear function of the law that every means should be employed to compel the parties who put themselves in the position of inviting the money of other people to make the fullest possible statement of the facts of the case.

267. You do not see anything "paternal" in that?—I think not; it appears to me to be no more than the application of the existing law with reference to all questions of dealings between buyer and seller.

268. It is something more, is it not?—Not if the seller takes upon himself a fiduciary character. If a man goes to market, and offers his butter or chickens for sale, the buyer has an opportunity of seeing them, and examining them; but it is a different case where the seller places himself voluntarily in a fiduciary character.

269. You mean if he, having superior knowledge, makes a false statement?—Clearly, he has superior knowledge, and does not give the buyer a fair opportunity of knowing the facts.

270. Is there anything else you have to suggest to us with regard to the formation of companies?—No, I cannot say that there is. I may say that I had the pleasure of hearing the evidence of Mr. Cousins, the Registrar of Joint-Stock Companies. The practical use of Mr. Cousins' office is this: in the course of business

Chairman—continued.

ness the name of a company comes before you: you hear of it probably for the first time, and it is necessary to form some judgment as speedily as you can; the natural course to adopt is, either to go yourself to Serjeants' Inn, or send somebody there to see what is recorded about it, what the last return of the shareholders is, and the last registration of the accounts is; and you are guided very much by what you find there. I do not see any objection, therefore, to either the registrar's office probably being invested with some compulsory powers by way of fine, or something of that sort, nothing very severe, to compel companies to file pretty punctually the statements they issue, especially the register of shareholders, and the last published accounts; and if my suggestions could be adopted of having a print of a shorthand writer's report of the proceedings of each meeting, and also a copy of that report circulated, the public would have the readiest means of knowing what account the company had given of themselves.

271. You do not think there would be anything "paternal" in that?—No, I think not; it being perfectly understood that the Registrar's office exercised no kind of control or jurisdiction over what the company sent to it.

272. Have you any suggestions that you can make to us with regard to the winding up of companies?—I have not much personal experience of the winding-up of companies. I hear a good deal of the enormous scandal which has attended the winding-up of joint stock companies, and one has general notions (not any notions which I am prepared to discuss with the Committee) that there is room for very considerable reform. For my part I do not see why a very large part of the business connected with the winding-up of joint-stock companies should not be done by a competent Bankruptcy Court. It is the misfortune of this country, so far (I speak with all respect to the constituted authorities), that we never have had an efficient Bankruptcy Court, and we never shall have an efficient Bankruptcy Court until some distinguished man is made the judge of that court, and it is made worth his while to establish a reputation by the administration of it; and if we had a court of that kind administered by a competent judge, the winding-up of public companies, it appears to me, would be a comparatively easy affair. The abuses in the winding-up of public companies arise, so far as my observation goes, from there being really no supervision at all. A man is appointed liquidator, and gets possession of the books and papers and everything, and then he disappears as it were into space. Then, after years, perhaps, you receive an account which shows that the assets have come to so much, and that they have been entirely swallowed up by the expenses on the other side, few or no details of which are given. Further than that, so entire is the absence of all control, that it is very generally asserted, and has been so stated by the Lord Chancellor in the House of Lords, that at this moment the sums of undistributed assets in the hands of trustees, liquidators, and others, great and small, up and down the country, amount to millions sterling; those funds are entirely under the control of these persons; they are entirely out of sight and beyond control, and there is no ready means of bringing them to account. If the ingenuity of the Legislature had been directed

Chairman—continued.

to devising a system which could produce unsatisfactory results, I do not know that they could have succeeded better.

273. Is not the difficulty that the only people who can wind up the estate are the creditors, and they will not do it?—If a man has made a fool of himself he gets very angry about it, and wishes to hear no more of it, and it is the fact that the creditors will not give themselves trouble. The case is analogous to that of a man walking up Fleet-street and being robbed of his watch; if left to himself he would probably not trouble himself to prosecute the man who had stolen it; but then society steps in, and says, "That will not do, sir; the man who stole your watch to-day may steal something of more value to-morrow, and we insist upon you being the prosecutor."

274. Is there any other suggestion that occurs to you with reference to the winding up of companies?—I am not aware that there is.

Mr. *Edward Stanhope.*

275. To turn to the Bill before us, there is a proposal in the Bill that all the companies should put their accounts in one form, which is given in the schedule, and you say that form appears to you to be suitable in the large majority of cases?—I think so.

276. What about the minority of cases?—The circumstances of companies, vary so enormously, that it is difficult at the moment to point out any particular class of companies to which this form would not apply. At the moment I do not know but that it would apply substantially to all companies, whatever the business they carried on.

277. You think it would apply substantially to all companies?—I do.

278. Supposing the case of an individual company to which it did not apply; what are they to do?—They must do as well as they can; they must apply the form as well as they can, and fill it up; it does not say that this is the only form.

279. Who is to be the judge of whether the companies have applied that form as nearly as they can, or not?—There is nobody to be the judge, except a person who happens to be dissatisfied, some dissatisfied shareholder who pulls them up and says, "You have not given the information you are required to give by the Act of Parliament."

280. Then it would be left to a dissatisfied shareholder to enforce the accounts being put in that particular form?—Yes, and generally speaking, that is an efficient remedy.

281. And you would not, in this case, propose that this balance sheet should be deposited in any public office?—Yes; one of my suggestions was, that every company should be required to send punctually to the office in Serjeants' Inn, a copy of all the balance-sheets and reports it issues.

282. Is that office to have simply the ministerial function of receiving the records, or is it to exercise any judgment upon them?—I have no faith in the judgment of public offices in such matters. I would rather it should be purely ministerial.

283. Do not you think that nevertheless the requiring all companies to put their accounts into a particular form, does partake a little of paternal legislation?—Not more than the Legislature has already done in the case of railway and insurance companies, and a great many other things.

Mr. *Newmarch*, F.R.S.

14 June 1877.

Mr. *Edward Stanhope*—continued.

284. But I understood you to protest in a very strong manner against paternal legislation?—If I could use stronger language, I would use it to express my abhorrence of paternal legislation; but I do not think that requires public returns to be made of that nature.

285. But requiring them to be in a particular form does, does it not?—Facts, to be of any use, must have some uniformity impressed upon them. That has been found in the case of the railway companies; there was the same objection made to the uniform character of the accounts required from railway companies. Now as a small matter of detail, I do not think that any part of railway legislation has answered better than that.

286. But taking railway companies or insurance companies; those are cases of companies which are all of one character; but the companies to which this Bill before us applies are cases of the most diverse character; do you think it possible to apply a provision of this sort to the whole mass of the companies whose objects are so different?—You may safely assume that about 95 per cent. of all limited companies formed are formed to be trading companies (the cases of the railway companies and insurance companies are met by separate legislation), and if the company is a trading company I think that balance-sheet given in the schedule will fit 95 out of every 100.

287. You have spoken of the good effect which you think will ensue from the adoption of the 4th section of this Bill; you are aware of course, that there is exactly the same provision with regard to making the prospectus fraudulent in the Act of 1867?—Yes.

288. Now, has that worked satisfactorily under the Act of 1867?—I think it has distinctly.

289. I suppose what you really want under such a clause as that is this: if a man has taken shares in ignorance of certain facts, which you think would be material to him in forming a judgment as to taking those shares, he ought to have the opportunity of recovering the amount he has paid if material facts have been suppressed?—Certainly.

290. Do you want to go beyond that at all?—No; certainly not.

291. Then what is the use of making the prospectus fraudulent as regards everybody?—You make it fraudulent, it seems to me, on the plain principle of equity, that if A B makes his statement defective in certain essential particulars (to be determined by a jury in the last resort), and obtains C D's money, C D is cheated.

292. It is perfectly right that C D should recover his money; but is it right that unless it can be proved that notice was given to C E the prospectus should be rendered fraudulent altogether?—I do not quite follow the question.

293. All you want is that the person who has taken shares in ignorance of certain material facts should be able to recover his money?—Yes.

294. This section goes far beyond that, because it declares that the prospectus shall be fraudulent for other purposes also?—Where does it say so? The words are: "Every prospectus or notice which does not comply with the aforesaid requirements shall be deemed to be fraudulent on the part of every promoter, director, trustee, or officer of such company who has knowingly issued or been concerned in the issue of such prospectus or notice as regards any person applying or subscribing for any share, bond, debenture, or other capital in the company on the faith of such prospectus or notice, unless such person has had notice of the omitted particulars." That seems to me to be clear.

Mr. *Edward Stanhope*—continued.

295. You prefer that it should be in that form?—I am quite content with that clause.

296. What is the substantial gain as between that 4th section of the Bill and the 38th section of the Act of 1867?—According to my recollection of the Act of 1867, the advantage of this section of the Bill is that it is much more explicit, sets out in clearer language the intention of the Legislature, and is fairer both to the people who issue the prospectus and the people who receive it.

297. But it does not tell you, any more than the Act of 1867, what is meant by saying that a prospectus shall be deemed to be fraudulent; that is a point in great dispute, is it not?—With submission, I think that the passage that I have read is tolerably plain.

298. But the words are the same in the Act of 1876 in that respect: "The prospectus shall be deemed to be fraudulent"; are not those the very words which are the subject of the utmost dispute?—Still this Section 4 in the Bill amplifies, it seems to me, in a useful manner what was conveyed by Section 38 of the Act of 1867.

299. As regards what is to be set out in the prospectus?—Yes. Still the practical difficulty of Clause 38 in the Act of 1867 has been that it has not been sufficiently amplified, and hence doubts have arisen what came within it or what should be left outside it.

Mr. *Ashbury*.

300. Do you mind telling the Committee what information, as a general rule, you require from limited liability companies before deciding to lend them money?—The first consideration is when you are likely to get the money back again. I do not know that I can say anything else.

301. Do you consider that any debenture which you may lend upon is the first mortgage of the company?—As a matter of law, certainly. I fancy there is no doubt that a debenture would be considered the first charge upon whatever property the company may have; but in a great number of cases the company does not happen to have any property, and then the debenture is not worth anything, and it must rest with the person invited to lend money to find that out.

302. Have you any opinion as to the proportion of debentures that ought to be issued in proportion to the share capital of the company?—No; I really have not, and I do not know that the law can undertake to regulate that.

303. I think you expressed the opinion that an official shorthand-writer should attend at annual and other meetings of the shareholders, and that a report of such proceedings should be sent to the shareholders?—Yes.

304. In your opinion, should the Board send out such reports *in extenso*, or should the directors have power to suppress any part of the discussion?—No; I think it should be a faithful record of what took place.

305. In connection with the liquidation of a limited liability company, and in connection with your

Mr. *Ashbury*—continued.

your remarks just now about liquidators, why should there not be a committee of shareholders and creditors to act as a committee of supervision over the liquidators?—That is all very well on paper, but it practically is not done. You have to suppose the case of a company which has been unsuccessful, and in which everybody has got very angry, and everybody has got thoroughly ashamed of himself, and the people have lost their money, and they are disposed to say, "There is an end to it," and to use very strong language to anybody who talks to them about it. The thing passes away, and in this country we live very fast, and new enterprises take the place of old ones, and dead ones, and the company passes out of people's minds. I do not mean to say that if hundreds of thousands of pounds were involved it would not be different; but the abuses in liquidation do not occur now in the largest cases but in the smaller cases.

306. But assuming the case of abuse on the part of the liquidator, do you not think it would be an advantage to have a committee of shareholders and creditors with whom he could confer from time to time?—My view is that in a matter of a bankruptcy and liquidation, when a private firm or a company has passed into the condition of liquidation it becomes a matter of public policy and concern, and that the parties, whatever name you may give to them, should be under the control of a competent public functionary of very high standing; and I have always had a strong opinion that that public functionary should be a judge of superior rank presiding over a Court of Bankruptcy, who would call to severe account anybody practising in his court who did not carry out his duties in the most honest, efficient, and expeditious manner.

307. Do not you think it would be an advantage to have a judge, such as you speak of, as a sort of court of appeal in the event of such committee of shareholders and creditors not agreeing with the official liquidator?—It would be open to anybody interested, of course, to apply to the judge of the court and draw attention to any case in which he might consider there was reason to be dissatisfied.

308. And I take it that your object in requiring special returns, and duly registered returns, is in order to give the general public and the shareholders an opportunity of knowing the position of the company irrespective of the dividends paid, or the selling price of the stock?—Quite so.

Mr. *Shaw*.

309. Have debentures the same effect as a security as mortgages?—There is hardly any word in the English language which has been so much abused during the last 20 years as the word debenture. What a debenture is exactly in any particular case it would not be an easy matter to answer. The ordinary understanding of a debenture is, that it is very much of the same nature as a mortgage, but there are material limitations to it. Speaking in general terms, undoubtedly, if a person offers to you as a security what he is pleased to call a debenture in a public company, you would infer in the first instance, till you investigated the circumstances very carefully before you parted with your money, that it was a prior charge upon whatever property the company might have.

Mr. *Shaw*—continued.

310. But a mortgage made afterwards and regulated would take priority, I presume?—A mortgage, as I understand it, would only apply to any real estate which the company might have.

311. A great many companies have real estate?—They have.

312. Or a judgment debt would come in preference, would it not?—Yes.

313. Would it be an advantage to have a register of the debentures as well as of the mortgages?—I am afraid that it would be delusive; I am afraid that any office you might set up, which professed to give at any particular moment an account of the debenture obligations of a company, would be apt to mislead people.

314. Why should it mislead?—Of course the office could only register such information as was given to it, and the information might not be given to it exactly in the shape in which it ought to be given; it certainly might not be given at the time, and time is material in those circumstances; you ought to have your register complete; if a mortgage obligation is incurred to-day it ought to be registered to-day, so that anybody invited to lend to-morrow might have due notice of what has taken place. I am afraid there is no practical machinery for doing that which you suggest.

315. Not at present; but do not you think it would be an advantage to have it?—It would have to be a very elaborate machinery to make it effective.

316. This clause which you read to us just now provides entirely for public companies; I mean the clause as to prospectuses or notices?—Yes.

317. But you are aware that a great number of companies are being formed that do not become public at all?—They are public in the sense of coming under the Companies' Acts; they are not public in the sense of having their shares quoted in the market.

318. Or in the sense of seeking their money from the public?—Or seeking their money from the public.

319. Then how would you deal with them about a fraudulent prospectus?—I do not see why Clause 4 should not apply to them; they are public companies to all intents and purposes; they divide their capital into shares; those shares are transferable; they are incorporated under the law as trading corporations, and they are public companies. It appears to me not material that their shares should be sold in the market.

320. You are in favour of simplifying the processes of the Act generally?—Certainly, in every way.

321. You think it would be beneficial to do that?—I consider we are, in this country, only at the outset of the application of capital to trading concerns under limited liability; and it is therefore very important on public grounds that the limited liability law should be made as simple and efficacious as possible.

322. It is about the easiest way of forming a deed of partnership in a trading company?—Yes.

Mr. *Orr Ewing*.

323. You said that public companies should have the power of reducing capital?—Yes.

324. That would be in the event of their not being

Mr. *Newmarch*, F.R.S.

14 June 1877.

Mr. *Newmarch*, F.R.S.

14 June 1877.

Mr. *Orr Ewing*—continued.

being successful?—In the event of the company having met with losses, where the only mode of providing for those losses is that the company should do as a private firm would do, write down its paid-up capital.

325. Do you place a private firm and a joint stock company alongside of each other with reference to this matter?—I see no difference between them.

326. Supposing a public company reduce their capital in order to reduce their liability to the public, and they were taking advantage of that power, the public could not come upon them individually for any money they might have out of the concern?—I am thinking of a case of a company in which, by the supposition, 500,000 *l.* has been paid up, and 200,000 *l.* remains uncalled, and by a course of adverse events the company has lost 100,000 *l.* The mode in which that 100,000 *l.* should be dealt with would be to write it off the 500,000 *l.*, leaving the 200,000 *l.* uncalled as it was before without touching it; then the only parties concerned in that writing down are the shareholders themselves.

327. But the creditors might be very prejudicially affected by this reduction of capital, might they not?—I think not. By the supposition the capital is gone; the 500,000 *l.* represented by good assets of some kind has become 400,000 *l.*

328. Supposing a private company under similar circumstances wrote off a sum of money which they had lost, notwithstanding that they have reduced their capital, they are still liable for all the money they may have apart?—Yes, and that is my case; I say that the company have 400,000 *l.* of property of some kind held by them, and they leave the 200,000 *l.* of uncalled capital where it was, and therefore the creditors are neither better nor worse after the operation than they were before it.

329. But the difference between a private company and a public one is, that the private company are still liable for the whole money they possess; but the shareholders of the public company are relieved to the extent of the 100,000 *l.* which they have written off?—That is because they have started as a limited company.

330. You said you would wish to bring joint stock companies as close as possible to private companies. I presume you did not mean that the shareholders of a public company should have their liability made to be unlimited?—No, certainly not.

331. In what way did you wish to bring them as near as possible to private companies?—What I mean is this, that the technical rules of law applicable to limited or unlimited companies should be made as far as possible as elastic as the technical rules of law applicable to private partnership; and to give a case in point, I mention the writing down of capital; a private partnership as we all know, if it has incurred a loss, and if it is a prudently managed concern, is dealt with every year; the loss is written off, whatever it may be. In the case of a limited company the operation cannot be exactly in the same form; the public company would have to consult its shareholders, and take a vote of the shareholders, and say to them, "Gentlemen, your 500,000 *l.* has been reduced to 400,000 *l.*; unless you write 100,000 *l.* off you can have no dividend till the 100,000 *l.* is recovered. Which do you prefer, to wait seven, or eight, or 10 years to recover that, or to reduce the paid-up capital now." That seems to me a case where the law should offer every facility.

Mr. *Orr Ewing*—continued.

332. What is the advantage gained by doing that?—Because the body of proprietors, being a moveable and changeable body, it is more convenient for them to receive dividends regularly upon 400,000 *l.* than to wait an indefinite time to get a dividend on 500,000 *l.*

333. It makes no difference, does it, in reality?—By the supposition it is a trading company, and unless you allow them to write off the 100,000 *l.*, they have to come before the public for a number of years with a very awkward-looking balance-sheet.

334. You see not disadvantage to the public in making the change you suggest?—I am assuming the whole proceeding to be set out.

335. You still think that a private company and a public company are similarly situated with reference to writing off their losses?—Yes.

336. You were asked if you had anything to suggest as to the formation of companies, and you said you could suggest no improvements?—Not beyond what are suggested by this Bill.

337. It has been proposed that a deposit should be made of a certain percentage at the time of registration; what is your view about that?—I have no faith in that; the money is borrowed to-day and paid back to-morrow; there is no security in that.

338. But supposing it must be left as a deposit until the capital is paid up?—That has been tried before and has always failed; it was tried in New York some years ago, and got the name of the "shin-plaister trick"; the money was borrowed and paid back again.

339. You think it would not be an improvement?—I think not.

340. Do you not think it would be an improvement to require that the whole of the shares should be subscribed for before registration?—I think that the proposal of this Bill, that an allotment shall not be binding unless a certain proportion of the capital is subscribed, and that the names of the allottees shall be sent to all the parties concerned, within a very limited time, are perfectly sound. I am in favour of that part of the Bill. One of the greatest defects of the existing law, and a very grave defect indeed, is that an allotment can be held to be binding when only a very small part of the capital applied for has been really applied for, I mean by real *bonâ fide* people.

341. But you would not go so far as to make it incumbent upon the company to be completed before it is registered?—You mean make every share taken? No, I think not.

342. And do you think it is quite sufficient in the case of a party starting a limited company with any extent of capital, that the seven parties registering the company should take one share only, perhaps a 10 *l.* share?—So long as a copy of that memorandum is circulated to everybody asked to take the shares.

343. Do you think that the public generally are so intelligent that they would be able to find out the fraudulent intention of every public company started?—That is their own affair. There is no compulsion on a man to part with his money; he must form his own judgment.

344. Do you think that an Act of Parliament which

Mr. *Orr Ewing*—continued.

which has been passed for the purpose of starting public companies should not be as strict in its terms as possible to prevent the committing of fraud, though you object to paternal legislation?—I have no difficulty in assenting to that as a general proposition, and that is the whole purpose of my evidence, that the commission of fraud should be rendered as difficult as possible; but with submission, that is not my definition of paternal.

345. You think that the present Bill is quite sufficiently paternal for the protection of the public?—I think so.

346. Do you not think it is rather a Bill to protect speculators, and take in the public; I refer to the Act of 1862?—Certainly not.

347. From your knowledge of joint-stock companies, do you think that, on the whole, they have been beneficial to the trade of this country?—I have not the least doubt of it; in the highest possible degree.

348. From your knowledge of the working of them, do you think that they are ever able to compete with individual enterprise successfully?—In many respects successfully, but not so profitably as in the case of private enterprise. I should put down the difference between private enterprise conducted with adequate skill and prudence and a public company at not less than 10 or 15 per cent.; that is to say, a private enterprise would make 25 per cent. where a public company engaged in the same line of business would not make 10 per cent.

349. When dealing with such large advantages as those, 10 and 15 per cent., is it not possible in every case that a private company can ruin a public company if there is such a difference as that, 10 or 15 per cent.?—I do not see it in the least. You must remember that the class of persons who put their money into public companies are persons who consider 4 or 5 per cent. a handsome return upon their money, and every addition you make to that is so much benefit to those persons. If you examine the class of persons who have formed the shareholders in limited liability companies during the last 10 years, I will undertake to say that you will find 80 per cent. of those persons would be people who considered 4 or 5 per cent. upon their money as a very handsome interest, and when you give them 7, 8, or 10 per cent., they consider themselves very well off.

350. Do you consider that there are any private concerns in this country that, as a rule, would make profit of 10, 15, or 25 per cent. on an average of years, or anything like it?—Hundreds and thousands of them.

351. Can you mention one?—I must decline that.

352. I mean not one concern, but one trade?—I should have to mention all trades. I do not mean to say 10, 15, or 25 per cent. with the regularity of an annuity provided by the public funds; but I do mean to say that the returns are, in large class of instances, quite up to that figure if you take an average period of years.

353. That is merely your belief?—That is my belief and my strong conviction.

354. Is it a belief without any knowledge of the state of the trade, or is it founded on any facts?—Yes; undoubtedly it is.

355. Businesses that you are acquainted with?—I could mention to you a great number of cases.

Mr. *Orr Ewing*—continued.

356. Will you kindly name one business to which that applies?—No; I cannot go any further.

357. Is it a manufacturing business?—I decline to go any further on that point.

358. Then, as to the winding-up of companies, you complain greatly of the bankruptcy laws?—I do.

359. I presume that you were referring to the bankruptcy law of England?—Yes.

360. You are not acquainted with the bankruptcy law of Scotland, perhaps?—No, I am not.

361. I daresay you know that they are better than in England?—I have always understood them to be very much better.

362. Is it the case that in England the liquidators of private as well as public companies hold large sums of money which are not distributed?—I have no doubt of it.

363. Is it not the fact that a creditor, unless he carefully looks after the winding-up of an estate, never gets notice that there is any dividend to pay?—That is so; and if he does get notice of a dividend, it is generally some small fraction of a penny or farthing not worth collecting.

364. But, as a general rule, no notice is given to him of a dividend?—As a general rule, none.

365. And some estates have taken five or seven years to wind-up, have they not?—Yes.

366. And it runs out of the creditor's mind, he has written the debt off his book, he has no means of refreshing his memory, and the dividend lies in the hands of the liquidator?—Yes.

367. May I ask who ultimately gets this money?—That is exactly what I want to know; and if I might make a respectful suggestion, the Chancellor of the Exchequer is concerned in the matter.

368. You do not know that it is handed over to the Chancellor of the Exchequer?—I have heard of substantial balances disappearing without anybody being able to give an account of who got them.

Mr. *Alfred Marten.*

369. Do you suggest that the prospectus should contain a copy of the memorandum of association, and the articles of association?—I think that is the law now; my impression is that it is the law now under the Act of 1867, that the prospectus must contain a copy of the memorandum of association at all events; if it is not it ought to be.

370. With reference to allotment do you suggest any alteration in the existing law with regard to persons being bound by allotment?—I am quite content with Sections 5, 6, and 7, of this Bill before the Committee, which I think are an improvement.

371. Now with regard to writing off loss, what I understand you to say is, that you would give facilities to companies, without dissolving themselves and reconstituting themselves anew, to make a break when they have sustained a considerable loss of part of their capital, to write it all off, and then begin declaring profits again upon their future working, paying dividend upon the remaining capital?—Yes.

372. Can you suggest any practical way in which that can be done with due protection to the creditor and the shareholder?—I have not considered the technical steps to be taken, but I

Mr. *Newmarch*, F.R.S.

14 June 1877.

Mr. *Alfred Marten*—continued.

believe there is a Bill before the House of Commons now with that object, promoted by a very competent authority, Mr. Morris, who would be able to tell the Committee the details of that Bill better than I can; but I see no reason why it should not be done with perfect safety to everybody.

373. I suppose you would say that where there is a certain amount of paid-up capital, say (to take your own figures), 500,000 *l.* paid-up, and 100,000 *l.* is lost, the accounts of the company, if properly made up, would show that they have only 400,000 *l.* assets?—Yes.

374. And you would say that the creditor would not be injured in that case, provided the 200,000 *l.* remained uncalled?—Clearly not.

375. And therefore you would not see it to be necessary that any protection should be afforded to the creditor in that case of reduction?—The creditors would be where they were. The remedy of a creditor in a company of that sort is first of all against the goods and effects of a company, and by the supposition those are 400,000 *l.*, and after that 400,000 *l.* is exhausted then the remedy of the creditor is against the uncalled capital.

376. Do you consider that the creditor would not be injured by the company beginning to declare dividend upon that reduced capital?—The man who has given credit to the company has done so upon two grounds: first of all the estate and effects, and then the uncalled capital. The estate and effects were 500,000 *l.*, and they are now, by the supposition, 400,000 *l.*, therefore the remedy of the creditor is against 400,000 *l.*, and no more.

377. Would not the creditor to a certain extent have a right to be heard if the company proposed out of their next year's earnings, instead of recouping what they had lost, to divide the profits on the reduced capital?—But what sort of a creditor is being contemplated, for three months or six months, or what sort of a creditor?

378. Let me recal your attention to the illustration you give of private firms. It is an ordinary stipulation in a partnership deed, is it not, that the partner should only receive remuneration out of the profits of the concern, and that all losses shall be borne out of the earnings; and that if the earnings are insufficient, the amount is to be contributed by the partners in the shares in which they are interested?—The honourable gentleman states the case accurately enough as regards the general rule; but he is quite aware, I daresay, that cases are very

Mr. *Alfred Marten*—continued.

numerous where in private concerns it is considered expedient to write down so much of the capital, each partner sacrifices so much of the *corpus* of his capital; nothing is more usual than that, I imagine.

379. That would be only done by general agreement among the partners?—Clearly.

380. Do you consider that the present provision with regard to registering documents of security, or of advantage, is sufficient; would you propose that every document which gave any advantage or preference to any creditor or body of creditors over any other creditor or body of creditors, should be in some way registered?—It must be registered as part of the proceedings of the company itself; they must appear on the face of the accounts, and those accounts must be taken as conclusive, because they have been issued under the signature and under the authority of the directors and auditors, and those directors and auditors, I suppose, would be criminally amenable for any improper suppression in those accounts.

381. Do you think that the general creditors require the protection of information with regard to any document of security which purports to give a preference as against them to any particular creditor or set of creditors?—I cannot conceive the machinery by which that could be effectually secured.

382. Supposing, for instance, it were proposed to issue mortgages or debentures to persons who would advance money upon them, could it not be done by having those documents registered as intended, or liable to be issued, so that the creditors would be informed that if they trusted the company they must trust it subject to the probability of those documents taking precedence of any claim on their part?—I am not a lawyer, and cannot therefore answer upon a technical point; but there are only two counties in this country where an attempt of that sort has been made, the West Riding of Yorkshire, and the county of Middlesex, where, as that Committee knows, there has been a register of charges on land from the time of Queen Anne downwards; and nobody who knows what an enormous apparatus is required to keep up that register, bearing those facts in mind, can be otherwise than exceedingly sceptical whether, short of some enormous machinery of which no one has given an outline, you could secure such a register as is proposed, because, to be really effectual, the register must be complete and exhaustive in point of form, and as regards every other particular.

Monday, 18th June 1877.

MEMBERS PRESENT:

Mr. Ashbury.
Mr. Alexander Brown.
Mr. Chadwick.
Mr. Orr Ewing.
Mr. Goldney.
Mr. Gregory.
Mr. Kirkman Hodgson.
Mr. Hopwood.
Mr. Isaac.
Sir Henry Jackson.
Mr. Sampson Lloyd.
Mr. Lowe.
Mr. Alfred Marten.
Mr. Rylands.
Mr. Shaw.
Mr. Serjeant Sherlock.
Mr. Edward Stanhope.

THE RIGHT HONOURABLE ROBERT LOWE, IN THE CHAIR.

Mr. WILLIAM TURQUAND, called in; and Examined.

Mr. *W. Turquand.*
18 June 1877.

Chairman.

383. YOU are an Accountant, I believe?—I am.

384. What is the name of your firm?—Turquand, Youngs, & Company.

385. Do you hold any position among the accountants besides your connection with that firm?—I am president of the Institute of Accountants.

386. Have you in your business had much to do with joint-stock companies?—With the liquidation of them I have had a great deal to do.

387. Only with regard to liquidations?—Only with regard to liquidation.

388. In what capacity as regards liquidations?—I have been a liquidator; an official liquidator, and liquidator as well.

389. And that both in compulsory and in voluntary liquidations?—Mostly in compulsory liquidations. I have had one or two voluntary liquidations, and also voluntary liquidations under the supervision of the court; there are three classes of liquidations.

390. Those three being the compulsory, the voluntary, and the voluntary under the supervision of the court?—Yes.

391. Have you formed any opinion with regard to the efficiency of the law for the liquidation of joint-stock companies, and the working of the Act in the case of voluntary liquidations under the supervision of the court?—My ideas, derived from experience in liquidations, are that voluntary liquidation under the supervision of the court is the most desirable, especially in large matters.

392. Why so?—There are certain trammels about the court, which I suppose are necessary from the fact of its being a court, which rather prevents one proceeding so quickly or satisfactorily in a compulsory as in a voluntary liquidation.

393. And those trammels, as I understand you, do not exist from the superintendence of the court?—No; the advantage of the superintendence of the court is, that if you have an important matter where the liquidator considers it is for his own protection that he should have the order of the court, we are at liberty to go there and get it; and I have been on several very important occasions to get the sanction of the court for arrangements which otherwise I should have felt hesitation in making.

Chairman—continued.

394. Who has the power of going to the court besides the liquidator; has any one?—Any one, shareholder, creditor, or liquidator.

395. He may bring anything before the court that he may think proper?—Yes.

396. Would you recommend any alteration of the law in that respect?—That is rather a wide question.

397. Would you contemplate the abolition of compulsory liquidation?—I do not know that I could do that altogether, because compulsory liquidation means this, that in all probability there is likely to be a contest as to the rights of parties, either as to the liabilities of contributories, or the claims of creditors, which are best settled perhaps by having a court to resort to as a matter of course, and by the appointment of a wholly independent liquidator; the appointment in compulsory liquidations being by the court. In the other two systems of liquidation the appointment is by the shareholders; in the voluntary liquidation entirely by the shareholders, and in liquidation under supervision by the shareholders, but to be confirmed by the court in obtaining the order, and the court is at liberty to confirm or to add one or more liquidators if, on the request of either shareholders or creditors, it thinks proper.

398. Could you suggest any improvements in the machinery of the court which you think eligible?—No, I do not know that I can, because, of course, we naturally think the system to be the right one under which one has been dealing all one's life, more or less.

399. And with regard to the other forms of liquidations,

Mr. W. Turquand.

18 June 1877.

Chairman—continued.

liquidations, taking voluntary liquidations, can you suggest any improvements as to that?—No; I think that is generally adopted by very small companies where there is very little to do, and no conflict of interest, and I think that the idea of shareholders in those matters lately has been to appoint someone connected with the company, either one of themselves or the secretary of the company. I have had very few of those; I do not suppose more than two or three.

400. Would you think it desirable to make it a compulsory thing on voluntary liquidation that it should be under the control of the court?—I think it desirable that every case should be under the control of the court, that is to say, that every person interested should have an opportunity of going to the court, if they have grounds of complaint.

401. In point of fact, you would abolish voluntary liquidation, merge it in liquidation under the supervision of the court?—Yes. There is only perhaps this observation to make, that of course there is always a certain expense which has to be incurred in getting an order of that sort made by the courts, and in very small matters it is not desirable perhaps that the assets should be so applied. With that reservation I think it should be abolished.

402. Would you limit that to a certain sum, say under a particular sum?—It is very difficult to make those limitations, because there might be a case in which it was absolutely desirable that there should be supervision by the court, though the assets were small. I always feel a difficulty in drawing the line anywhere.

403. I suppose the facts of the debts and the original assets having been larger does not necessarily prove that there is a great quantity of money for the purposes of consulting the court?—That may be so.

404. Now with regard to the other liquidation, which is the compulsory liquidation, what do you say as to that?—Beyond the points to which I referred just now, as to the liquidator being somewhat trammelled in his operations by having to go to the court for very small matters, I do not know whether I have anything to say against that system of liquidation.

405. Could you suggest any remedy for that?—My remedy, I think, is a liquidation under the supervision of the court.

406. But we are speaking now of compulsory liquidation?—You are asking me, if I understand you rightly, whether there is any better system.

407. If people will not agree we must have some compulsion?—Yes.

408. And supposing a case where we must have compulsion, can you suggest any improvement in the present system?—I am not aware that I can. Of course every Act is capable of being abused, but if it is properly administered I do not see any objection to it.

409. Do you consider that very serious abuses exist in compulsory liquidations?—I have heard that there are, but of my own knowledge I do not know of any great abuses. I have heard all sorts of rumours of enormous expenses, of liquidators being themselves without any control from anybody, and their rendering no account to anybody; I observe that a witness examined here the other day stated that in the case of payment of dividends it often happens that no

Chairman—continued.

notice is given to creditors, and that that is a general rule. That I altogether deny; I do not believe that any such state of things exists.

410. If I understand you rightly you are not prepared to recommend any very large change in the plan of liquidation as at present practised?—I am not; I did not know that I should have been asked such a wide question.

411. Do you consider that on the whole it works tolerably well?—I think so, if properly administered.

412. You, of course, have had great experience in bankruptcy?—Yes.

413. That is also very often unsatisfactory, is it not, from the creditors taking no interest?—I do not find that the creditors abstain from taking an interest. I find the reverse, that they do, and that in most cases in which I have been concerned (perhaps they are the large ones of the mercantile community), there is a committee of creditors in bankruptcy; I think the Act requires it; and that committee certainly do their duty as far as my experience goes.

414. Are you satisfied, on the whole, with the present law of bankruptcy, and as to individual estates?—Yes, with regard to personal failures. As I am an administrator perhaps it is natural I should think so.

415. What sort of bankruptcy is it that you are principally concerned in, compositions or the regular course of bankruptcy?—Both composition and bankruptcy; and bankruptcy without the intervention of the court, that is, liquidation by arrangement.

416. Your answer applies to both?—Yes, in those I am principally concerned I have very little pure bankruptcy business; I have only two large estates in bankruptcy, and that for a particular reason, the bankrupts having absconded in both cases.

417. On the whole, you are not dissatisfied with the bankruptcy law?—No; I think that liquidation by arrangement is not an undesirable way of administering an estate, especially with the intervention of the creditors in the appointment of a committee.

418. Is there any other subject with regard to the law of joint-stock companies in these Acts which you think you could give us any information upon, or make any suggestion on?—I am not aware that I can volunteer; but if any member of the Committee has any suggestion to make, I shall be happy to express my opinion on it.

Mr. *Gregory.*

419. The society of which you are president is a voluntary association of accountants, I think, is it not?—It is.

420. And, of course, there are accountants who do not belong to your society?—There are; there is also another society.

421. I presume you exercise a sort of jurisdiction over those who are members of your society?—Our rules enable us to do so.

422. Have you any scale of charges settled by your society?—None.

423. Then it is open to any accountant to make such charges as he pleases?—Yes.

424. It is a question of *quantum meruit*, if it is disputed; where it is not disputed, there the accountant, of course, retains his charge out of the assets he has realised?—Yes.

Mr. *Gregory*—continued.

425. I forget whether there is any provision in the Companies Acts for requiring accounts to be rendered from time to time?—I do not think there is, except in compulsory liquidations, and there the accounts are filed with the court.

426. But I think that is only the ultimate account which is filed with the court?—The account is rendered either half-yearly or yearly, and passed by the court, and filed at once.

427. Is there any provision also for the balance in the hands of the official liquidator being paid in from time to time?—In compulsory liquidation the moneys go into the bank under the control of the court, as they are received; in voluntary liquidations they are retained by the liquidator.

428. And is it under the Act that the balance is paid in?—As regards compulsory liquidations, and the moneys received from time to time, it is so, I think.

429. That is your practice, at all events?—Yes.

430. But your practice does not bind all official liquidators; and I want to know from you whether they are bound under the Act to do so?—I am convinced that they are bound in compulsory liquidations to pay in the moneys as they are received.

431. In voluntary liquidations that is not the case?—In voluntary liquidations that is not the case.

432. You have had a great deal of experience in liquidations, and I daresay you have seen many cases of a somewhat distressing character amongst them?—Yes.

433. Have cases come before you of parties who have taken shares under the impression that their liability was limited?—It is difficult for me to say under what impression they may have taken their shares, but I am aware of this, that formerly joint-stock companies issued their shares in much larger nominal amounts than they do now; the practice used to be to call up a very small amount, and that, practically speaking, perhaps the great majority of the shareholders, when the liquidation arrived, found themselves liable for 95 *l.* out of 100 *l.*, or 45 *l.* out of 50 *l.*, and had not the means to pay that liability, they being somewhat encouraged to take the shares by the very small amount paid upon them. I do not think that exists now; I think the practice now is for the companies to diminish the nominal liability of their shares.

434. That is merely a matter of practice of the companies?—That is the practice of the companies.

435. But, under the provisions of the Act, those cases have come before you of a small amount being paid on the shares, and a very heavy liability existing upon them?—Yes, I think so; I cannot charge my memory with any one in particular.

436. Do you think that there would be anything unreasonable in providing some guarantee against that in any future legislation on this subject?—No; I think it would be very desirable.

437. And it would not hamper the operation of *bonâ fide* companies, would it?—No: I have a strong opinion on that point.

438. Will you give us the benefit of your opinion in detail?—My opinion is, that companies issuing a prospectus stating that they require a certain amount of capital to conduct their business should not be permitted to commence unless the whole of that capital is subscribed, and a certain proportion actually paid up; that is the French system; and I see no reason to consider that the proceedings of a legitimate company would be hampered by any such enactment.

439. You propose that the shares should all be paid?—That a portion should be paid up on every share.

440. I was going to suggest to you that the shares should be limited; that the nominal amount of liability should be some multiple of the sum so paid up?—Yes.

441. So that a party taking a share should actually understand what liability he was under?—Yes; I think in Paris the system is that two-fifths, that is 40 per cent., should be actually paid up before they begin.

442. And that the shares should be some multiple of the sum so paid up?—Yes, that is always so.

443. Then as to the borrowing powers of these companies, I think there is no limit upon that, is there?—No; I think that rests with the shareholders.

444. In fact, they may borrow to any amount that they can raise money?—If they can get anybody to lend them money, I believe that is so. Of course I do not profess an intimate acquaintance with the Acts of Parliament.

445. I see, with respect to the rendering of accounts, it is by the order appointing the liquidator that that is provided for; not by the Act?—I know there is something very stringent about it; I think when he is appointed the dates are fixed at which he is to bring in his accounts; by the order appointing him, the date is fixed.

446. If that order is not put in force, of course, in many instances, he does not comply with it, I suppose?—My experience is, that the clerks of chief clerks generally see to that; I presume they are instructed to communicate with the liquidators, and tell them to bring in the accounts; that is my experience.

447. Do you find that they do so?—Yes.

448. Of course, putting your own experience out of the question, there are many gentlemen calling themselves accountants who do not belong to your society, and are not under your control?—Yes.

449. Have you heard of cases of abuse in these proceedings by them?—I have heard of such things, but I have never had one brought before me pointedly; neither could I state that I know of any one particular instance in which there has been abuse; perhaps I should be the last person to hear of it.

450. You know, I suppose, that there is occasionally a rush for the order to wind up?—I am aware there is.

451. A regular run amongst small creditors?—A regular contest.

452. Small creditors going to the court and filing petitions for the winding-up order?—Do you mean to say got up "by accountants?"

453. Accountants, or solicitors; I am afraid my own profession is not free from it?—I may suspect it; I do not know that I have ever known it.

454. You have heard of it, I daresay?—I have heard of it, but those cases do not come to me;

Mr. *W. Turquand.*

18 June 1877.

Mr. *Gregory*—continued.

of course I am aware of the contests which take place before the chief clerks for appointments, because I have been under the misfortune to contest it myself, that is to say, a solicitor has done it for me.

Mr. *Chadwick.*

455. Referring to that, there have been some unseemly contests about the appointment of liquidators on many occasions, and I think there is a rule of court which says that the first applicant shall have the carriage of the order?—There is no rule of court; there is a practice on the part of some of the Vice Chancellors to adopt that course, but I think it is rather for the purpose of saving the trouble and annoyance of these contests, because I entertain a strong opinion on the propriety of that.

456. Has it occurred to you to be in a position to advise a company where there has been a fear existing that some creditor would be the first to rush to the court and get an order with a view to have the carriage of the liquidation?—No, I do not know that it has.

457. Speaking about liquidations, generally, has it ever occurred to you that it would be advisable to transfer the whole of the liquidations to the Bankruptcy Court, supposing the Bankruptcy Court were extended?—I do not know that you are better off under one court than another. I should, myself, have more confidence in a Chancery Court than in a Bankruptcy Court in large matters.

458. Do you see any reason against taking companies' liquidation into the Bankruptcy Court?—No, I do not.

459. They are just as much bankrupts when in liquidation as an ordinary firm?—They are; but more important questions, perhaps, of liability arise in companies represented by shares and shareholders than in the ordinary failure of a private individual.

460. Then you see no real difficulty in transferring the whole of the liquidation business into the Bankruptcy Court, supposing that court was extended?—I do not see any.

461. With reference to the Bill which has been referred to this Committee, I think you had a copy of this Companies Acts Amendment (No. 2) Bill before you?—I think I have.

462. I should like to ask you on Clause 4 of that Bill, whether you see any objection to the things mentioned there as proper to be put into every prospectus issued by a new company; Clause 4 requires the disclosure of all the facts in connection with a new company?—If it means stating on the prospectus every circumstance which it is material should be known to the shareholders I quite agree with it. I think that every material circumstance should be on the face of the prospectus.

463. You believe that there should be a full disclosure of all the facts in the case of every new company?—Certainly.

464. Do you believe that this clause goes too far in making it a serious offence, in fact, making it fraudulent, to omit any such particulars; do you see any possible evil that could come from that?—When you say "fraudulent," what penalty does it carry with it; does it mean criminally fraudulent, or fraudulent to the extent of making the directors personally liable? Of course, there is

Mr. *Chadwick*—continued.

criminal fraud and a fraud cognisant by the Court of Chancery, which is a different thing.

465. Then I wish to direct your attention to Clause 5; you have already answered this in anticipation to some extent; this clause says that two-thirds of the amount of the capital offered shall be taken up before the company can be established; you would go a step further, and make it binding to have the entire capital subscribed?—I say substantially the whole. If the directors require it they ought to have it, and if they have not got it, they ought not to begin their business.

466. In a company where a portion of the shareholders are abroad on the Continent, or in America, that is practically impossible, and if two-thirds are subscribed at home that is sufficient, is it not?—That is an exception which you can hardly legislate for, I think; I do not know of any such case.

467. Clause 6 says that a copy shall be sent to every allottee of a list of the names and addresses within a certain time; would you also add to that the number of shares taken by each?—Unless you do that, you do not convey much information; but I am not quite sure that I should send that list at all.

468. Why not?—I do not see any great advantage to be gained by it, and I can understand its entailing considerable expense. Some companies have 1,000 shareholders, and they would have 1,000 lists to send out; *cui bono?*

469. Is it not desirable that every person taking shares in a company should know with whom he is associated?—I do not think the list would necessarily convey very much information to him. I have looked over a great many lists of shareholders myself, and have seen many with whom and with whose names I was not acquainted.

470. In regard to Clause 7, you are aware that in the case of building clubs and railway and life insurance companies, there are statutory forms of balance sheets which have been found very satisfactory; do you approve of Clause 7 about a balance-sheet and a statement of the profit and loss account?—Of course I approve of the system of issuing a capital account and an account of profit and loss to the shareholders. This clause deals with the date at which that account should be so rendered, does it not?

471. It says that such accounts shall either be sent to every member of the company, or left for inspection at the office; this is intended entirely for the use of the shareholders, not for the public at all?—I quite think that every shareholder should have a statement of the transactions of the company; I do not think that seven days is long enough before the meeting of the company.

472. You see this Clause 7 requires not only a balance-sheet and a profit and loss statement, but a report of their proceedings; it does not say how, or how much?—There is always a report attached, as far as my knowledge goes, to a statement of accounts sent out to the shareholders; the directors' report generally goes with it.

473. In every respectable company this clause, in fact, is already complied with, as far as balance-sheets go?—So far as I know.

474. But

Mr. *Chadwick*—continued.

474. But not as to the profit and loss statement, is it?—I have never seen any accounts go out without a profit and loss statement.

475. Are you aware that there are hundreds of companies in existence which have never made either a balance-sheet or a profit and loss statement?—I was not aware of that, if you mean to their shareholders.

476. All the companies you are acquainted with already substantially comply with this clause?—Yes.

477. Then clause 8 gives to members of a company, where the balance-sheet and the profit and loss statements are omitted, an easy mode of going before the Court and getting an order from the judge requiring their issue?—Would you allow me to go back to clause 7 for one moment? I stated just now that I thought seven days before the meeting of the company was not sufficient time for a shareholder to have an important account placed into his hands. There is another difficulty which we find as auditors, I do not know whether there is any means of getting over it by enactment, which is this, that as a rule directors are very late in preparing their accounts; they are handed over to the auditor, who is expected to work night and day to audit them, and you may imagine that under those circumstances they may not always be so carefully done as they ought. The day for the meeting is fixed, and perhaps within 10 days the auditor is expected to go and audit the account, and within three days under that clause it has to be ready for the shareholders.

478. This clause only says "at least seven days before any ordinary meeting"?—Who is to decide how many more days?

479. Would you like to make it 10 days or 14 days?—I should think at least 10 days, because it must be for the purpose of conveying information to them or not; and they may just as well have it in time to deal with it if they have any objection to make before the meeting.

480. Do you remember that in the case of the railway companies' statutory balance-sheets the managers are required to make a statement as to the efficiency of their rolling-stock; in fact, that the wear and tear has been properly attended to; in the case of any trading company publishing its balance-sheet and profit and loss statement, would you require the managers, or persons so acting, to certify that the building, machinery, and plant were in a state of efficiency, in any stronger terms than this, "Directors' certificate: We have examined the above balance-sheet and profit and loss account, and certify that, to the best of our knowledge and belief, they are correct;" would you extend that certificate by saying that the buildings, machinery, and plant have been kept in good order, and are in a state of efficiency and good working order?—I can see no objection to their stating that, if they will take upon themselves the responsibility to do so. I suppose they have somebody in their employ whom they would look to, to make that statement to them. I see no objection to the directors stating that, if it is a fact.

481. The next clause, clause 8, is one giving the shareholders power to apply to the Court, and it says the judge may order the balance-sheet of the directors to be amended, and the judge may fix the costs on them; but in the case of a company totally neglecting and setting at defiance the law and the requirements, would you give the judge power to inflict any penalty which that clause at present does not do?—I do not know that that is a point on which I should like to offer an opinion. I am not quite sure that this is a very desirable interference. I think a clause of this sort might lead to a great deal of annoyance to directors, even in properly managed companies.

482. They have power now, you say, by going before the Court on summons?—I did not say so as to a going concern.

483. Never get into a liquidation, I mean?—Yes, but I have not said so as to a going concern.

484. Now, as to clause 9, you are aware that by the Act of 1867, companies have power now to reduce their unpaid capital on the condition of their having the word "reduced" added after "limited," for twelve months, and giving notice to the creditors. This clause is intended to remedy what is believed to be a defect and an oversight in that Act, namely, that it does not enable companies whose capital is paid up to reduce such capital; now, that cannot injure the creditors; I want to know whether you see the full effect of this clause and approve of it?—Yes; I understand this clause to be providing for the want which, as you state, exists, namely, that when a company has lost a portion of its capital, they should write it out of their account.

485. Just the same as a private concern would do?—I do not see that anybody is injured by that.

486. Do you know the case of the Ebbw Vale Company, recently before the Court?—I have heard of it.

487. This would remedy that defect?—I believe so.

Mr. *Sampson Lloyd.*

488. Have you experienced any evils arising from any defects in the present system of registering joint-stock companies?—I do not feel myself competent to express an opinion on that.

489. We have been informed by a previous witness that limited companies are not bound to give certain information which unlimited companies are bound to give; for instance, to send the registrar of joint-stock companies the names of their directors and managers; do you consider that you have suffered from the lack of that registration?—I cannot say that I was aware of the absence of it. It does not come within my duties to consider the question.

490. I should have thought that in your practice, probably one of the largest in London as an accountant, it would have been important sometimes for you to ascertain certain facts with regard to the constitution of joint-stock companies which are being liquidated under your control, especially as to the extent of the mortgages, who were the directors, what changes there had been in the directors, where the capital of the company had gone to, and so on, which you could only ascertain officially or correctly by an application to the registrar of joint-stock companies?—I never find any difficulty in ascertaining that information from the minute-books of the company;

Mr. W. Turquand. 18 June 1877.

Mr. *Sampson Lloyd*—continued.

pany; they always afford me that information, certainly as to a change in the directors, and also as to the extent to which their borrowing powers may have been exercised; of course it has been my duty to see that the necessary registrations have been made in the case of issuing debentures or mortgaging their property.

491. Have you never known cases of companies where those minutes have not been kept, or where they have been kept so imperfectly as to mislead you?—No; no case of that kind is within my knowledge.

492. Do you believe from hearsay that there are such companies?—I do not believe that till this moment that has presented itself to my mind.

493. As regards liquidation, is it not the fact, that great complaints have been made of trustees in liquidation keeping funds unduly in hand, whether in their own hands, or in their banking account, funds which have never been distributed to creditors?—On that point I can only speak from my own knowledge, and I do not know that I ever had such complaints made to me of any unnecessary delay on my part.

494. There has been an official return, or at all events a statement made in Parliament, to the effect that a very large sum indeed has been kept in hand by trustees of undistributed assets, amounting, if my memory serves me, to millions; have you had such cases before you?—I have not. I have seen that statement, but I do not believe in the existence of it to any such amount. My experience is, that creditors would not allow any large amount to remain in the hands of trustees undivided without interference. I do not believe in the existence of that large figure. I know what a very small sum I have in hand of undistributed balances.

495. No member of this Committee would suppose that such abuses arise in your office, but is it not possible and probable even that such abuses take place in the offices of accountants of perhaps less position than your own?—It is possible, but I do not think that even there it is very probable to any very large extent; because I quite differ from the opinion expressed here by another witness as to the extent to which creditors interfere. A creditor will always interfere if he does not get something out of the estate; that is my experience.

496. You are probably aware that under the Scottish law of bankruptcy the trustees are obliged by the statute to make periodical dividends, I think first six months from the date of sequestration, and then at recurring periods of, say, four months or six months, till the estate is exhausted. Do you not think that would be a very good system to introduce into England to meet the cases which you say you have not heard of, but which other people have?—Yes; I think it would be a very good thing that they should either make a dividend or state the reasons why they did not.

497. I think you expressed approval of the English Bankruptcy Law under the Act of 1869. Have you not met, in your own experience, or if not, have you not often heard of cases under the English Law of Bankruptcy, where enormous costs have been incurred in liquidation, and where the creditors got no dividend, or next to no dividend, although enormous assets came into the hands of the liquidators?—I do not know that I have heard of any particular case.

Mr. *Sampson Lloyd*—continued.

498. Have you not known cases where 60 per cent. of the assets have been swallowed in the process of liquidation?—No; as an accountant, I know very little beyond the estates which come under my particular notice.

499. Have you never heard of cases under the English bankruptcy system, of compositions where a dividend, apparently very inadequate to the means of the debtor, has been forced on a reluctant minority of creditors by the vote of a statutable majority?—I have not; I do not think it very likely.

500. Is it not possible that a statutable majority of creditors may be composed of billholders and other persons who will ultimately lose nothing at all, who may from friendship for the debtor compel the minority to accept an inadequate dividend?—Billholders are generally bankers, in my experience, and I never knew a banker act in that way, nor the holders of bills. I have always found that they are desirous of making the most of a man's estate, either for themselves, or for other creditors; neither do I think it very likely that a statutable majority would be found who would take such a step as that for their own sakes. It would be their interest to get the largest dividend they could. I have heard a good deal from hearsay, to which I do not attach much importance.

501. The drift of what I am asking you is this, whether your approval of the English system of bankruptcy under the Act of 1869 is almost an absolute approval both of the theory of the system and its practice, or merely that you approve of the provisions of the law when they are rightly worked. Do you go so far as to approve of the operation of the law as well as of the theory of the law; what I mean is, from your large experience, do you mean that the Act of 1869, the English Bankruptcy Act, in its operation and in its practice, has met with your approval as well as its theory; or merely that it is a good Act of Parliament when rightly worked, and only when rightly worked?—To be a good Act of Parliament, it must be good in theory as well as in practice. I do not recognise any distinction. I think, if it is properly administered, it is a very good Act of Parliament.

502. And that it is generally properly administered?—My notion is that it is generally properly administered.

Mr. *Isaac*.

503. I think I understood you to say, that you would approve of a system in joint-stock companies by which all the capital of the company should be subscribed, and a certain portion of it paid up when the company was registered?—Not when the company is registered, but before the business of the company is commenced.

504. You would prefer that to a company having two-thirds of the capital subscribed at the time, leaving the one-third to be afterwards subscribed?—You see, if the company is a successful one, you will have no difficulty in getting one-third subscribed afterwards, but if it is a bad one it will not be taken up; and the consequence is that the shareholders have to pay a larger proportion of the debts than they would if the

Mr. *Isaac*—continued.

the whole were taken up, and the creditors are without the benefit of that additional capital.

505. The subscription of the whole of the capital before the company started, according to your great experience, would be most advantageous to the shareholders?—I think so.

506. In compulsory winding-up, to whose account would the money be paid in, to whose banking account?—To the account of the particular company, in the name of the chief clerk and of the official liquidator.

507. And in voluntary winding-up it would be, I suppose, in the names of the trustees?—Of the trustees.

Mr. *Alexander Brown.*

508. With regard to the state of the law as it now exists with regard to companies having fully-paid-up capital, is there any power to reduce that capital?—There is power to reduce under certain conditions.

509. What are the conditions?—The principal condition is, notice to the creditors of the company, so that you may not prejudice their right by diminishing their security without their consent.

510. Would it be against the law for a company to write off a certain portion of its capital yearly in its balance-sheet; for instance, in cases where the value of the machinery or buildings diminishes?—That would, in effect, be sustaining a loss, and the operation of this clause, as I understand, which has been referred to by Mr. Chadwick, is that when the company has sustained a loss of that sort, they may write it off their capital.

511. But supposing they have sustained no loss, but that simply from the wear of their machinery there is a diminution in their assets, would it be against the law that they should write off a certain portion of their capital?—That is written off the value of the assets, not off the capital; it diminishes the assets, and the capital is not represented by the extent to which that is written off.

512. The suggestion was made by a Witness, Mr. Newmarch, that after the meetings of the companies the shorthand writers' notes of the meetings should always be circulated to the shareholders; do you approve of such a suggestion as that?—I do not see any great objection to that beyond the expense.

513. Do you think it would be a security to shareholders not present at those meetings?—Yes, what takes place at a meeting every shareholder ought to know.

514. A suggestion was made by the registrar of joint-stock companies, that companies should have to pay fees in proportion to, or a certain percentage of, their nominal capital, in order to prevent companies registering with a very large nominal capital, when only a very small portion was to be paid up; do you approve of such a suggestion as that?—It depends upon the amount of penalty they would have to pay, as to whether that would cure what is complained of.

Mr. Serjeant *Sherlock.*

515. I think you suggested as the best mode of liquidation, in your opinion, voluntary liquidation under the superintendence of the Court; you mentioned that compulsory liquidation was

Mr. Serjeant *Sherlock*—continued.

rather objectionable, on account of the necessity of from time to time applying to the Court?—For very small matters, for every payment, in fact.

516. May I call your attention to the 95th section of the Act of 1862, as to the principal duties of the official liquidator; it commences with his power to defend or to bring actions; "to carry on the business of the company so far as may be necessary for the beneficial winding-up of the same;" and after enumerating a vast number of powers, drawing and accepting bills of exchange, taking out letters of administration, and doing various other things, it winds up by saying, "To do and execute all such other things as may be necessary for winding up the affairs of the company, and distributing its assets;" you are of opinion that the powers of the liquidator should be still further increased?—If I am not much mistaken, he must have the authority of the Court to do that; I do not think the Act gives him that authority except in voluntary liquidations.

517. The 96th section, which follows, says: "The Court may provide by any order that the official liquidator may exercise any of the above powers without the sanction or intervention of the Court"?—Yes, I see it does.

518. Then a general application to the Court to enable him to perform those functions would carry with it the power which, through the 95th section, is given to the liquidator, would it not?—That is virtually liquidation under supervision; but I have found that the Court does not make such orders.

519. Is it the result, in practice, that whenever any one of these matters provided for by the 95th section is necessary to be done, a special application has to be made to the Court?—It is, in compulsory liquidations.

520. Which are the greater number, are they not?—By far.

521. Considering amount and responsibility, they are by far the greatest number, are they not?—I should not say so as regards amount, because in the failures consequent upon the disasters of 1866, the failures of joint-stock companies, the assets and liabilities were very large indeed, and it was then that the liquidation under supervision was more largely adopted than ever it had been before; and I think you will find that all the large banks and joint-stock companies that failed then are under the supervision of the Court, in voluntary liquidation; therefore, as regards the amount for the last 10 years the liquidations under the supervision of the Court have been the largest.

522. You have heard it no doubt stated in public that the delay in winding-up has been very great, as a rule?—I have.

523. Now, from your experience could you tell us what is the longest period that you know which has been occupied by the Court in winding up an estate?—When you say "occupied by the Court," that is a very different thing from absolutely winding up. I have known cases in my office where they have been as long as 10 years before they have been finally wound up; not that there is very much to be done after the first four or five years, but you cannot close an estate in Court unless the liquidator can make an affidavit that every asset has been got in and every debt paid;

Mr. *W. Turquand.*

18 June 1877.

Mr. Serjeant *Sherlock*—continued.

paid; and there is always a small fringe of assets outstanding which prevents the liquidator making that affidavit, and it is that which, according to my experience, keeps these matters open so long.

524. In companies there are debts which are sperate and debts which are desperate, and which cannot be recovered?—Yes.

525. Would it not be easy to distinguish between those of the assets which are easily recoverable, and those which are positive losses and which may not be recovered?—Yes, that is what we do.

526. Would not an affidavit of that character, that all the debts that can by possibility be recovered have been recovered, and that any such as are outstanding are debts that are actually lost, satisfy the Court that the estate was virtually wound up, so that it would dispose of it?—I do not think the Court would dispose of it, unless you could make a substantive statement that the first class of debts have been got in. So long as there is anything outstanding the Court would not make an order.

527. But is it not almost a necessity that if 10 years have elapsed those debts which are then outstanding are irrecoverable?—It looks so; but I have one case at this moment where a somewhat heavy call is made against a shareholder, and I am waiting until his estate is wound up before I can wind up the company, and I am unable to make an affidavit that nothing is coming from his estate, because his trustee, or representative, tells me that there will be a dividend some day.

528. But what may be considered as the shortest practical period in which an estate is wound up in liquidation compulsorily, where it rests entirely with the liquidators to wind up?—I do not know that I can state any particular time, unless I give some particular case; there are so many elements about liquidation, that they are as different from one another as light from dark, and you cannot apply the same rule to all; but I should say that the bulk of the duties of the liquidator are generally concluded in two, or three, or four years.

529. Bankruptcy is a good deal quicker, is it not?—Yes; the assets are more easily dealt with in a private failure than in the affairs of a joint-stock company; you have in the latter case two sets of assets to collect, one from the debtors, and the other possibly in calls from the shareholders; whereas, in a private case, you have no personal liability to deal with, as you have in the case of shareholders of a company.

530. I think you mentioned that it is now the custom of most of the Vice Chancellors to give the appointment of liquidator to the first applicant?—I believe it prevails before two Vice Chancellors; they have laid down the rule that they will give the appointment of liquidator to the first person who has obtained the order.

531. Is not that virtually offering a premium for making a rush to the Court to get the appointment of liquidator?—Yes, I think so, decidedly.

532. And objectionable on that score?—Yes, very objectionable.

Mr. *Hopwood.*

533. You were asked about the use of the word "fraudulent" in the Bill, and you asked what penalty there would be; there are penalties, are

Mr. *Hopwood*—continued.

there not, against directors of companies under the Criminal Law Consolidation Acts of 24 & 25 Vict., by which they are made answerable, criminally, for any fraudulent statement in the prospectus?—I do not know that I can say so of my own knowledge; I am aware that a director can be made liable otherwise than criminally, because I have had to take those steps myself.

534. Then you have been asked about disclosures to be made in order to secure the public; is it not difficult to suggest any such amendments because you would destroy the excellence of the limited system, as against the benefits of a private firm, by compelling such disclosures; there is a competition between the limited system, and the advantages of the limited liability system and a private firm, and by compelling all these disclosures on the part of a limited liability system, you put it in a difficult competition with the benefits of a private firm, do you not?—In the first place, I do not see that any statement on the prospectus would prejudice the interests of the company to be formed. Their statements as regards prospective profits are generally hypothetical; of course they cannot possibly reduce them to a certainty; and I do not see any difficulty in making a statement in the prospectus.

535. You think that a full and candid disclosure would not in the least militate against the prospects of many a company that has been started, and many a company that will be started?—Before answering that question, it would be necessary to consider what particular statement would prejudice any particular company; I feel a difficulty in dealing with it.

536. Then your experience of companies does not assist you in coming to some general conclusion in answering my question?—I think where a prospectus is put forward inviting the public to come into a concern in which they have much less opportunity of inquiring than a private person has when he goes into business, there is no harm in giving them as much information as you can. A shareholder has always much greater difficulty in getting information than a private person going into business has.

Mr. *Goldney.*

537. What I understood you to intimate just now was, that you think that the public ought to be guarded, by having the amount which is stated to be necessary to carry on the business paid up?—Yes.

538. And that you would suggest some provision by which a company should not be allowed to commence its operations till that was done?—I think it ought to be so.

539. That is to say, not the whole amount of the capital, but the whole amount of the money stated in the prospectus to be necessary to carry on the work?—Yes; for instance, a company says that they require a capital of 100,000 *l.*, but in the first instance they only want 50,000 *l.*; they certainly should be required to have subscribed the first 50,000 *l.*

540. Is not the French law in accordance with that?—Yes, I believe so.

541. That is, the amount stated as required to be paid up must be paid up?—It must be subscribed, and two-fifths of it, I think, paid up.

542. Can

Mr. *Goldney*—continued.

542. Can you state what proportion, leaving out the large companies of 1866, you think the cases of winding-up under the compulsory system and the cases of winding-up under the two processes of voluntary liquidation bear to each other?—It would be a mere guess; I should say at least 80 per cent. are compulsory; quite that.

543. Then the winding-up under the compulsory provisions of the Act would be at least 80 per cent., four-fifths as against one-fifth under the voluntary winding-up?—Yes.

544. Then the voluntary winding-up I understand is divided into two operations: one voluntary simple, and the other voluntary under the supervision of the Court?—Yes.

545. And in both those latter cases the liquidator is appointed by the shareholders?—In the first, he is entirely appointed by the shareholders; in the next, his appointment has to be confirmed by the Court; that is to say, the Court has no power to remove him, I think, but can, upon the application of a creditor or shareholder, appoint some one to act with him.

546. But, in the first instance, in both cases, he is appointed by the shareholders?—Yes.

547. The creditors have no voice in the appointment in the first instance?—No voice in the first instance.

548. And in the simple voluntary winding-up they have no voice at all?—But in either case, if he is not satisfied, the creditor can petition the Court.

549. Notwithstanding the arrangement to wind up voluntarily, either under supervision or simply, the creditor can at any time go to the Court and ask to have it made compulsory?—Yes.

550. And do you find that in practice often done?—I can only speak of what I see occasionally in the newspaper reports; I see that very frequently a voluntary liquidation is turned into a compulsory liquidation, or that in some cases the liquidator is changed.

551. In a compulsory liquidation the money has to be paid as a matter of course into the Bank of England, or some other bank, has it not?—The Bank of England.

552. But in both the cases of voluntary liquidation the money remains in the hands of the liquidator?—It does.

553. In practice, is any security given by the liquidator?—No.

554. In large cases, I suppose a committee is generally appointed who are associated with him?—Always.

555. And does the liquidator in those cases get the direction of the committee as to the appropriation of the funds?—Certainly, if they thought proper to interfere, the liquidator must act in conformity with their wishes, or under the supervision of the Court; the shareholders could go to the Court.

556. But, practically, the liquidator does pay the money into a bank?—For myself, I always pay it into the Bank of England. I believe in large cases it would be found out of the question to ask for security where you are receiving very large amounts daily.

557. Who regulates the remuneration for the liquidator in the case of a voluntary winding-up?—It is generally done by the committee of shareholders; always done to my knowledge by the committee of shareholders.

Mr. *Goldney*—continued.

558. That is to say, if a committee is appointed?—I do not think I know of any case in which a committee has not been appointed, and in the case of there being such a committee, the committee fixes the remuneration.

559. How is the remuneration fixed by the Court in compulsory cases?—The court has a scale.

560. By time, is it not?—By time.

561. Only time?—Only time.

562. And does that apply to all estates, great and small?—That, I believe, is applied to all estates, great and small.

563. And to all liquidators, whether having a large amount of practice or a small one?—I cannot say that I know that, for since that scale has been laid down, I think I have had very few liquidations.

564. And have all the Vice Chancellors adopted the scale of time?—They have adopted the scale of time, but I think one or two of them have stated that they do so with the condition that under certain circumstances it shall be optional with them to increase the liquidator's allowance.

565. And I suppose in cases of voluntary winding-up the liquidator is paid either by a gross sum, or by commission?—Yes, generally my experience is that he is paid by commission.

566. With reference to the period of winding up, there are some cases where, after all the creditors are paid, it is for the advantage of the shareholders that there should be a delay, I suppose?—Yes, you have assets to get in. Frequently, after the creditors have been paid, I have been in a position to realise assets and make returns to the shareholders; I have done so largely in Overend's case, and in the case of the Leeds Banking Company.

567. Is there not a case in Overend's case where there is some large annuity which it is much more beneficial to the shareholders should be delayed than disposed of at once?—Yes; there is the annuity on Mr. John Henry Gurney's life, from which we receive between 16,000*l.* and 17,000 *l.* every year.

568. How many years have you received that?—I think the previous tenant for life has been dead about a year and a half, and we have received it about a year and a half.

569. And in your judgment, in a case of that sort, it is more beneficial to the estate to go on receiving the annuity than to sell it?—I do not think we could get so much by selling it.

570. There are, in fact, as regards shareholders, cases where it is beneficial to keep the estate alive?—Yes; in Overend's we have returned 4*l.* 10*s.* per share, which means a sum of 360,000 *l.*

Mr. *Orr Ewing.*

571. You deny the evidence we have had laid before us as to large sums of money being in the hands of liquidators?—Yes, I do; it is out of the question that it can be millions. I also further denied the absence of notice of payments of dividends.

572. In what is the notice given?—We always give notice by circular to every creditor, and if he does not come within a certain time we repeat it.

573. But is that the custom of the profession, or

Mr. *W. Turquand.*

18 June 1877.

Mr. *Orr Ewing*—continued.

or is it limited to your own house?—I believe it is the custom of the profession.

574. Is it so in the case of bankruptcy in private firms?—Yes, precisely the same.

575. Of course a large amount of the dividends are generally paid to the creditors, but there must be a certain amount of dividends unclaimed?—There is a certain amount.

576. What becomes of them?—So far as I am concerned, they remain to the credit of our account in the Bank of England. On looking at my accounts the other day, I should think, looking at the estates I am concerned with, they will not amount to 250 *l.*

577. Do you transfer them to any general account?—No, they are always there to be paid to anybody who asks for them. We have a special business account into which all moneys under our control are paid, which is quite apart from our own private account.

578. But they are not lodged in the Bank of England as unclaimed dividends?—No, you cannot do that at present; there is no such power.

579. You keep them in your books?—Yes.

580. In the case of limited liability companies which have been unfortunate, do they generally pay large dividends or small?—I do not know that I am able to answer that question.

581. Do you think it would be larger dividends or smaller dividends than in the case of private firms?—I cannot say.

582. You must have had great experience as to the winding-up of both?—Yes.

583. Your memory does not serve you as to that matter?—I daresay I could ascertain what the relative dividends have been in the two states of the matter.

584. You have no impression on your mind at present?—I have no impression on my mind at present; I do not know that I ever directed my mind to the consideration of it.

Mr. *Alfred Marten.*

585. Would you have any difficulty in requiring in all cases of liquidation that the liquidator should pay into court all moneys he receives, that is to say, into the Bank of England?—You mean under the control of some one else than himself. There is no difficulty in that, but the difficulty is sometimes in getting it out again. When the money is in the hands of the Court, you have to go through a great deal of routine before you get hold of any assets in the hands of the Court, and those are some of the delays I spoke of.

586. Can you suggest any simplifications at all as to getting money out of court, with regard to liquidation?—I cannot, because the moment the responsibility rests with the Court they must be perfectly satisfied; and to satisfy the Court, as a general rule, you have to make an affidavit and obtain an appointment for the purpose of getting the cheque signed, if it is a cheque of any amount.

587. When you suggested that you would abolish voluntary liquidation, as I understand it, you would allow liquidation under the supervision of the courts in all cases?—I think that is most desirable.

588. Do you not think that section 138 of the existing Act of Parliament is sufficient to enable

Mr. *Alfred Marten*—continued.

the Court to interfere?—Yes; on looking at it, I think it would be sufficient.

589. As it stands?—Yes; I did not know before that there was any power in a voluntary liquidation to go to the Court.

590. Then I am right in concluding that you do not suggest any alteration in the existing law in the way of giving more power to the Court to interfere in cases of voluntary liquidation?—It amounts to voluntary liquidation under supervision. I would not make any suggestion assuming that to be the law.

591. Do you think it would tend to limit the duration of the winding-up if in all cases the liquidator were required to pay into court at once all moneys he receives?—I do not see that that would have any effect.

592. I am not asking with regard to your own experience, because I assume that you are not in the slightest degree influenced by the moneys being under your control; but I am asking as to your view of the matter in a general way entirely independent of your own practice, whether you think that the possession of money to a certain extent leads to delay in winding up?—I should be very sorry to think so.

593. It might do so; so far as it had any influence at all, it might tend to delay the winding-up?—Yes.

594. You have been asked as to the transfer of the winding-up business to the Bankruptcy Court; I presume, considering that the Court of Appeal is the same in both cases, it is really more a matter of judicial arrangement than anything else?—I think so.

595. Now as to the mode of remuneration, do you recommend any alteration as to that?—I certainly strongly object to the present system of attempting to pay the liquidator by time; I think that is a very objectionable state of things; I think that is more likely in certain cases to lead to delay than anything else.

596. Supposing he were paid by a commission on the dividends?—I have been paid in large cases in that way, more than in any other way.

597. Do you think that operates in a more satisfactory way than any other mode of payment?—I think so; it induces me to make the most I can of the assets. If the liquidator is paid by the result, that is a strong inducement to him to make the most of the assets.

598. And you think that would be free from objection as to excessive remuneration?—I think so, because I have generally had mine in large cases fixed by a committee who, generally speaking, are among those who have to pay at all events a portion of it; and I have no reason to complain of the way that they have considered my services, nor they of the amount they have given me.

599. Would it be expedient to require by Act of Parliament that in every case of a voluntary winding-up being agreed upon at that time, there should be regulations made as to the remuneration of the liquidator?—I think it is very desirable that it should be fixed at that date, because if you are very late with it, after all the benefit has been obtained, you are not treated so generously as you might be at first.

600. And do you think that a remuneration based on the dividends actually paid would be a fair way which would afford sufficient protection

to

Mr. *Alfred Marten*—continued.

to any minority of shareholders, and on the average at the same time afford the liquidator adequate remuneration?—I think it would on the average. There are certain cases in which it would not give him anything perhaps, because these are cases in which the assets are very small and the trouble very great; but certainly with reference to the larger cases it might be met by commission, and it leads to expedition and making the most of the assets.

601. You would not recommend a commission on the amount of the liabilities?—No, certainly not.

602. Merely on the dividends paid?—On either the assets collected, or the dividends paid.

Mr. *Orr Ewing.*

603. Should it be a fixed percentage?—That would hardly do; it might be too much in one case, and too little in another.

Mr. *Alfred Marten.*

604. Do you think that in an Act of Parliament a superior limit could be fixed to the commission to be paid?—You might say that it shall not exceed a certain sum.

605. Or that the Act of Parliament should provide that regulations should be made by the Court to apply to all this subject?—My opinion is, that in every case, so far as possible, the liquidator should make an arrangement, either with the shareholders or the creditors; that they are the best persons to judge of what his services are worth, for in both cases they have to pay him; in effect, where a creditor does not get 20 *s.* in the pound, of course every item of expense goes out of his pocket; and the same with a shareholder.

606. Would you allow a majority of the creditors in the one case, or of the shareholders in the other case, to bind the minority as to the mode and amount of remuneration?—I think the shareholders should appoint a committee among themselves for that purpose among others, otherwise you would perhaps rarely get the whole body of shareholders to agree to any particular sum; but I have found that they will appoint a committee, and give them that power.

607. Then you would suggest that in every winding-up it should be obligatory upon the shareholders, and I presume also upon the creditors, to appoint some committee who should have power to fix the remuneration of the liquidator, and who should fix it?—And who should act with the liquidator and supervise his acts in the liquidation; that may be impracticable perhaps in very small cases.

608. Those committees would be similar to committees under the Bankruptcy Act?—Yes.

609. Now as to accounts, would there be any difficulty in a provision by Act of Parliament, requiring that in all cases of liquidation, accounts shall be either filed by the liquidator in court, or shall be rendered in some known manner every half-year?—Not the slightest.

610. And do you think it would be desirable that there should be some provision of that character?—I think it is; I should like it myself, certainly.

611. You have been asked about requiring a portion of the capital to be paid up before the commencement of business; are you aware that formerly it used to be the practice in prospectuses to state that the business would not commence before a certain amount of the capital was subscribed, though it was not required by Act of Parliament?—I think I may have seen that; I do not remember it.

612. Is it the practice now in prospectuses to state any such condition before commencing business?—It is the practice occasionally for companies to take powers to have a very large amount of subscribed capital, but to state that they only propose to issue a certain portion first.

613. And is it the practice to go on further, and state that unless that portion of capital which they propose to issue at first is subscribed, or a certain amount of it is subscribed, they will not commence business?—I should not think that is the practice; it may be; I hope it is; I seldom look at a prospectus

614. You have been asked with regard to provisions which would require that the capital should only be of a certain amount, and that the liability in the event of winding up should be something beyond the amount of capital; are you aware that the Act of Parliament of 1862 provides at the present time a form of company limited by guarantee?—I do not know that.

615. Have you ever seen any memorandum of articles of association of a company by guarantee?—No.

616. Are you aware that that is exactly the description of company that you suggested?—No, I am not aware that I have suggested such a company; have I?

617. Do not you suggest that the capital of the company shall be of a certain amount, and that there should be a further liability to contribute in the event of the company being wound up?—No.

Sir *Henry Jackson.*

618. I collect from you r evidence that you are familiar rather with the winding-up of companies, or their death, than with their formation, or their birth?—Certainly, I know very little of the initiation of companies.

619. Your connection with them commences with the coroner's inquest?—Yes.

620. On the whole, is your experience, as one who has had very large experience of very great companies, in favour of the present practice of winding up; or do you think that principle works well, not only as to the liquidator, but as to the public, and as to the creditors and shareholders; do you think that the practice is good and beneficial for them?—It strikes me so; companies will fail, and they must be wound up, and, as a rule, an independent person is the proper person to do it; whether he gets paid too much or too little is a question which I do not deal with.

621. As far as you have observed, you think that the machinery provided by the law works pretty well?—I think so.

622. With regard to the expense of the winding-up, do you think it unduly expensive, or do you think that the proportion of the assets applied to the cost of the winding-up is pretty nearly what it ought to be in regard to the fruits of the winding-up?—You cannot reduce it to any proportion; I have seen cases where the assets were small and the expenses necessarily great.

Mr. *W. Turquand.*

18 June 1877.

Sir *Henry Jackson*—continued.

623. Can you suggest any plan by which the costs of liquidating companies could be reduced?—I do not think I can; there will always be contests, legal questions arising, and they must be fought out, or decided.

624. You are aware that under the Act of 1856 the court for liquidating companies was the Court of Bankruptcy?—Yes.

625. Can you tell us whether there was any appreciable difference in the cost of liquidation between the two courts, the Court of Chancery and the Court of Bankruptcy?—I do not think I ever had a case of liquidation in the Court of Bankruptcy, and therefore I cannot express any opinion.

626. Have you anything to say on the question of the application of the Bankruptcy Law pure and simple to the winding-up of companies; you are probably aware that the Bankruptcy Law does not attach to the winding-up in the Court of Bankruptcy in all respects?—It is virtually the same; failure by a company or a private individual means collection and distribution of assets.

627. But the respective rights of creditors and shareholders *inter se* are not the same by any means?—No.

628. I collect that you have yourself rather attended to the business part, the money part of the transaction, than to the legal part of the winding-up of companies?—I have both; I never involve myself in legal proceedings in the winding up without personal acquaintance with the facts connected with that litigation.

629. But you are rather able to give us your views as an accountant than to speak as a lawyer?—Yes; mine is practical law, which I apply whenever it is necessary.

Mr. *Shaw.*

630. Are not there constantly companies that are being wound up that are not bankrupt; I think you intimated in one of your answers that companies when wound up were always bankrupt?—No; I said that companies will fail, and that when they fail they must be wound up.

631. But you are familiar with cases of companies being wound up that are not bankrupt?—Yes, a company wound up under the Winding-up Act is not bankrupt.

632. But I mean a company that has plenty of assets to pay its creditors and a balance over?—I have had cases of that kind, and when eventually there has been something to give back to the shareholders; but the shareholders may possibly have had to pay calls in the meantime.

633. I refer more to cases of companies amalgamating with other companies; there are cases, for instance, of banks amalgamating, or of insurance companies amalgamating with other companies, are there not?—I have never had one of them.

634. It would be invidious in cases of that kind to put them in bankruptcy, would it not?—Certainly, when they liquidate for reasons of that sort.

635. When you appear before the court, do you appear in person, or by a lawyer?—By a solicitor. generally.

636. That involves a good deal of expense?—Yes. In compulsory liquidations a solicitor does attend.

Mr. *Shaw*—continued.

637. Can you give us an idea of the amount of legal expense, separate from your other expenses, incurred in the winding-up cases, and the number of the appearances?—I could not tell without reference to the solicitor's bill.

638. What would you think of the liquidators being officers of the court?—Appointed as such to take these matters by virtue of their appointment at a salary, do you mean?

639. Yes?—I have hardly considered that question; that is a very broad question.

640. You are aware that in bankruptcy there is such a person as an official liquidator who is an officer of the court?—There used to be an official assignee, but now there is nothing of the sort.

641. But we have it in Ireland, and he is paid I rather think on the net results of the liquidation. Do not you think that that would work well in winding-up companies?—Yes; but I think that, judging from the work which has filled the courts for the last few years, you would require to have a great many of them, or he must have a very numerous staff of clerks; I have at least 30 or 40.

642. It is not contemplated that he would do the mechanical part of winding-up; that is done outside his office; but he is a judge, in fact, in all those cases to whom the accountant refers; he has power of deciding those cases without going before the supreme judge?—But a liquidator must personally superintend the realisation of the assets; you cannot make him simply an officer of the court to take whatever comes to him; because if you do, you must still have somebody under him, in the present position of liquidator, who will administer the estate; in fact, collect the assets.

643. Do you think, if it could be done, it would simplify the thing very much, and save a great expense?—Of course; any gentleman with an appointment of that sort, and a fixed salary, does not expect to get so much as if he works independently of that, and takes all the chances of some business or no business. A liquidator might be found to do it with a salary, but he must have a staff of clerks.

644. It could be done strictly in accordance with your recommendation of a voluntary winding-up; there might be a committee, and they would wind it up practically?—As a rule, committees would not take the trouble to collect the assets as we do; they would not devote their time to it.

645. Is it not their business; it is their money that is coming in?—So it is the money of every creditor in a failed estate, but merchants and bankers will not convert themselves into liquidators; they have something better to attend to.

646. When you speak of being paid by time, do you mean so much a day, or so much an hour?—So much an hour is the scale they lay down.

647. You do not like that?—I do not.

648. Do not you think that a scale might be adopted of so much per cent. the first year, and a decreasing scale the second year, and so on, so that your interest would be to wind it up quickly?—I have been paid in that way as regards amount, a certain percentage on the first 100,000 *l.*, and so much, an increasing percentage, on the second 100,000 *l.*, and so on.

649. You say increasing, but I say decreasing?—I think

Mr. *Shaw*—continued.

—I think that is turning the thing upside down. As a rule, the assets which come in last are those which are most difficult to get.

650. Your interest would be to get them all in quickly, under the plan I suggest, would it not?—I consider that is my interest now, because I can only get a certain per-centage on a certain amount; the moment I pass that amount my per-centage increases when I come to the next portion.

651. The solicitor has a directly opposite interest; he is appearing every day or every week?—We do not go to the courts in that continuous way.

652. I suppose very generally the solicitor is the moving element in the appointment of the liquidation?—Yes, generally.

653. So that, in fact, he is under a certain obligation for his appointment?—I do not think he feels that, if he is an independent solicitor. I feel no such obligation when a solicitor comes to me.

654. It is a very possible case, is it not?—It may be possible that, in small matters, gentlemen of a certain position are not so independent as others.

655. There are cases of the winding up of companies that hardly commence business at all; we have heard that from a witness here the other day; have you any suggestion to make as to an easier way of their stopping business?—The machinery must be the same, it appears to me, whether they have been carrying on business for a long time or a short time; they owe debts and they must pay them.

656. In some cases they do not even commence business?—What is to be done in that case I do not know; that is then a question between the shareholders and the directors.

Mr. *Ashbury.*

657. Can a voluntary liquidation take place under any proceedings on the part of one or two creditors?—I do not think that a voluntary liquidation can.

658. What majority of shareholders can settle upon a liquidation?—That I cannot tell you, those are points which are generally settled before the matter comes into my hands. I should suppose a majority; I do not know.

659. Now in connection with compulsory liquidation I will repeat a question which I put to Mr. Newmarch the other day. In connection with the liquidation of a limited liability company, why should there not be a committee of shareholders and creditors to act as a committee of supervision with or over the liquidation. Do you agree with that?—I think there should be; I think they are the proper persons to have the control of the liquidation.

660. Have you any knowledge of any liquidation in the case of a solvent company by reason of internal dissatisfaction among shareholders?—No, I have no knowledge of that.

661. Have you formed any opinion as to what proportion of debenture capital there should be to the share capital of a limited liability company?—I think it must be entirely governed by the circumstances that render it necessary for them to raise it. I do not know that of necessity it should bear any proportion to it, because it might be a legitimate purpose for which it was raised.

Mr. *Ashbury*—continued.

662. Do you think there would be any public advantage in requiring debenture loans to be registered by the registrar of joint stock companies?—I am under the impression that to be legal charges they must be registered.

663. Can you suggest any acts of the Board which should be officially registered by the registrar of limited liability companies beyond what is already registered?—I cannot tell; nothing presents itself to my mind.

664. In winding up any limited liability company, did you ever know a liquidation consequent on acts *ultra vires* of the powers of the company by the directors?—I do not know that I know of any liquidation consequent on that. I have had to question the acts of directors after they have been in liquidation.

665. In connection with the remuneration of any liquidator, do you propose that the per-centage should include clerks' salaries, and all extraneous expenses of any and every kind?—It may be made to include that; I have been remunerated in that way myself in very large cases.

666. For the protection of outside shareholders, or those unable to attend annual meetings, do not you think it should be made a *sine quâ non* that all proceedings at annual meetings or semi-annual meetings should be published *in extenso*, and sent to every shareholder?—I see no objection to that; on the contrary, I think it is a very good idea.

Mr. *Kirkman Hodgson.*

667. Would it be possible to frame a table by which it could be shown what per-centage the cost of winding up was on the collection of assets of the company. Taking 100 estates, say, would it be possible to arrive at any conclusion as to what the winding up of the company came to?—I do not think you could reduce it to an average. For instance, if I had 50 companies to wind up, and I received 100,000 *l.*, it would hardly do to say that each company costs 2,000 *l.* to liquidate; of course it is possible to state to the Committee the particular amounts received for particular estates.

668. Is it your impression that the result of a system of winding up by liquidation is, that it costs more to the estate than the winding up by ordinary bankruptcy?—I think it does necessarily, because, as I say, you have another element in the matter, which is the interest of the shareholders, which you have not in the case of a private failure, because there the debtor is the shareholder in fact.

669. I believe it is generally admitted that the system of official assignees, officers of the court, failed?—I suppose that was the impression by their being removed.

670. The official assignee had, generally speaking, two gentlemen associated with him who represented the creditors, but who, in fact, did not take very much trouble or pains in the matter, generally speaking?—I have had some experience of that, because my father was an official assignee.

671. Is it not the general rule that merchants and bankers, and those persons who are the largest creditors, rather think of recouping themselves

Mr. *W. Turquand.*

28 June 1877.

Mr. *Kirkman Hodgson*—continued.

selves in new business than devoting a great deal of time to the collecting the debts of old business?—Yes.

672. But the liquidator gets his profits entirely from the assets which he collects?—Yes.

Mr. *Alfred Marten.*

673. I think you said, with regard to the appointment of liquidators by the court, that in some cases the rule was adopted of giving the appointment to the petitioning creditor or the first who came with the order?—Yes.

674. Can you suggest to the Committee any regulation as to the way in which the liquidator should be appointed in preference to that?—That is a very difficult question, and a question which we have discussed at our council, and I do not think that any two were of the same opinion. The present system of contest is very objectionable; I think the system of appointing the nominee of the petitioner is more objectionable; but I must admit that I find it very difficult to suggest another course. In compulsory liquidations every shareholder and every creditor has a voice in the matter and so long as that is the case you cannot help their coming to the court, and endeavouring to get their nominee appointed.

675. Do you think it would be expedient to vest the appointment say of one liquidator in a meeting of the shareholders, and another in a meeting of creditors, taking it out of the hands of the court in that way?—That is very often done, both interests are more or less represented by perhaps two liquidators; but as a general rule liquidations suggest two states of thing; either that there is not enough for the creditors, in which case it is only the creditors who are interested; or there is a surplus for the shareholders, in which case I think they are entitled to the control of the matter.

676. Do you think that if it were provided that the court should be bound to appoint a nominee of the majority of the creditors, in a creditor's liquidation that would be a better mode of appointment than giving it to the petitioning creditor?—I think so; but if the court were to direct a meeting to be held for the purpose, of course there would be the same contest at the meeting amongst the creditors themselves or the shareholders themselves, as the case might be.

677. Does it not often occur that all that the court has to do is to choose between three or four very good men, each one of them thoroughly satisfactory?—Yes, and apart from the court disliking the trouble; that is, I think, the best arrangement.

Sir *Henry Jackson.*

678. And they are perfectly impartial?—Yes.

679. And somebody must choose?—Yes.

Mr. *Alfred Marten.*

680. If you simply made it incumbent on the court to make the appointment of liquidator according to the merits without any regard to the person by whom he was proposed, you would think that the best solution of the difficulty?—That is so now sometimes.

681. You would suggest that giving the appointment to the petitioning creditors' nominees is objectionable?—Yes.

Mr. *Alfred Marten*—continued.

682. In every case it should be determined according to their merits?—Yes, I think so.

Mr. *Rylands.*

683. You have expressed your satisfaction with the present system under which the liquidators hold the money belonging to the estate; but are you aware that there is a considerable amount of dissatisfaction in the public in consequence of the money being held by liquidators for long periods?—I do not know that I have expressed my satisfaction with that state of things; I have heard that there is much dissatisfaction expressed out of doors to the effect that you state, namely, that liquidators retain it; but I do not believe that it will be found to be so if it is capable of being tested.

684. Do you believe that there are large sums of money, as has been stated, amounting to millions, held by liquidators of estates being wound up?—I do not believe it; certainly not to the extent stated.

685. Do you believe that there is a very large sum so held?—There must necessarily be a large sum; but I think it must be principally in the hands of the leading accountants, and the rest may be dispersed all over the country in the hands of small accountants.

686. But I understand that in every case, both large and small, whether the accountant occupies a very distinguished position, or if he is of a much lower position in character, the money held by them is deposited in their own name, and under their absolute control?—Yes, that is so; but in cases where there is a committee of creditors, they have the option of naming the bankers and the conditions under which the accounts shall be opened.

687. But is it not the case that, in a large number of cases, liquidators put the money in the bank to the credit of their individual names, and in drawing cheques upon that amount they do so by direction of the committee and under the sanction of the Court?—It may be that the account is kept in their individual names.

688. Your own account is kept in your own individual name?—In the name of my firm.

689. And supposing you were unfortunately involved in some Stock Exchange transaction, you might draw a cheque on that account under the impression that you could recoup yourself; but if the Stock Exchange transaction went wrong, you might disappear out of the country?—That might be; I cannot contemplate such a state of things.

690. I am supposing what might be the case, even in a firm of such a class as yours?—It is possible.

691. So long as this money is held in the private hands of liquidators, there is always a liability to a certain amount of that money being improperly taken away?—The money is to a certain extent in jeopardy.

692. Does it not only produce a risk in reference to the money so held, but does it not also give a very considerable inducement to liquidators of inferior character to nurse that money as long as they can possibly, by any pretence whatever, keep it in their hands?—I think not. I think the inducement of every liquidator is to get paid his charges for liquidation, and to give the creditors the money, because if he does not so, the creditors will

Mr. *Rylands*—continued.

will soon see why they do not have their money. I do not believe in this absence of care on the part of creditors.

693. You do not believe that there are many cases in which money is so lying in the hands of the liquidator, and the creditors are dissatisfied, and no dividends being made?—No; of course there may be more than I am aware of.

Mr. *Gregory.*

694. I daresay you are aware of the rule that the costs of liquidation are over and above limited liability, that is to say, they may be provided for after the full amount is called up from the shareholder?—I believe there are certain cases in which they can; but I was not aware that that was so in every case. Before I go, I should like to make one observation with reference to joint stock companies; namely, to suggest for the consideration of the Committee, whether it would be desirable to require directors to wind up a company when they had lost three-fourths of their capital, or rather to prevent their going on after that state of things is arrived at without bringing it before the notice of the shareholders. I merely throw that out.

Mr. *Gregory*—continued.

Mr. *W. Turquand.*

18 June 1877.

Chairman.

695. Supposing they did go on notwithstanding that they had lost, what would you make the penalty?—Any loss that they sustained after that state of things I think would be the penalty.

696. That the directors ought to pay that; is that what you mean?—I think so.

Mr. William Newmarch, F.R.S., re-called; and further Examined.

Mr. Serjeant *Sherlock.*

697. Your attention was called to the 4th clause of this Bill before us in reference to the provisions as to the prospectus, and I think you expressed yourself generally as being of opinion that the prospectus ought to give as much information as possible as to the arrangements, so as to inform intending shareholders of the company what has been done and what they are liable to?—Yes.

698. Now is it the custom, so far as you know, for intending directors of companies, to have allotted to them certain paid-up shares as an inducement to become directors?—That is not my impression.

699. Have you ever heard of such a practice?—I have heard of its being done, but I have never seen it being done.

700. Have you never known it?—No, not in my own knowledge.

701. If such a practice did exist, the fact would materially affect the operation of intending subscribers, I suppose?—Certainly.

702. The object of a director being obliged to qualify by having a certain number of shares, is to show the public that he has a pecuniary interest in the concern?—Certainly.

703. The fact of his being allotted shares without paying anything has exactly the contrary result?—Clearly.

704. And the concealment or non-statement of that fact is the concealment of a very important circumstance in your view?—It is the suppression of a most material circumstance.

705. Do you think that that practice, if it exists, ought now to be prevented by legislation?—I should think that this 4th clause would go a long way to reach it.

706. What part of that clause, in your estimation, does reach that?—I should think the sub-section (b) would go a long way to reach it.

Chairman.

707. Will you read it, if you please?—"It shall state the date of and the names of the parties to and the material contents of every contract, other than contracts for supplies or services not exceeding 200 *l.* in value, made before the issue of such prospectus or notice, by or on behalf of such company, or by any person who is, or afterwards becomes, a promoter, director, or trustee thereof, where such contract is to be carried into effect out of the funds or capital of the company to be subscribed under such prospectus or notice, or is for the benefit of such promoter, director, or trustee in relation to the promotion or undertaking of the company."

Chairman—continued.

Mr. *W. Newmarch,* F.R.S.

Mr. Serjeant *Sherlock.*

708. Without asking you for a legal opinion, if that be not quite sufficiently clear so as to prevent the practice, is it your opinion that the Legislature ought to make it clear so as to prevent their having recourse to it?—Yes, I think so.

Mr. *Alexander Brown.*

709. With regard to the forms of accounts proposed in the schedule to that Bill, I think you said that they were generally applicable to all trading companies?—Yes, that is my impression.

710. Do you think there is no danger when you attempt to set forth a form of accounts of that character if not intentionally, but really misleading people who come to look at those accounts; are not circumstances material in each particular case which would not appear there?—On the whole, I think the advantage is rather in favour of prescribing the form of accounts. No doubt if you prescribe the form of account, you may have to encounter the difficulty that the form itself will not accurately fit a certain proportion of cases; but the proportion of cases to which it will not practically apply seems to me very limited. The form of account given in the schedule is not too minute, and still is sufficiently minute to bring out the real position of the concern.

711. For instance, in some accounts there must be great allowance made for depreciation of stock or plant, and it is material to know in estimating the value of the company, what per-centage has been put off for such depreciation; as far as I see there is nothing in this form of account which would compel the directors to publish the per-centage of depreciation which they put forth annually?—Nor am I sure that a form

Mr. *W. Newmarch*, F.R.S.

18 June 1877.

Mr. *Alexander Brown*—continued.

a form of accounts in a schedule could do that. The circumstances under which depreciation has to be taken off are so various that I should think it almost impossible to draw a hard and fast line in regard to them.

712. And so various, that do not you think there may be some danger in putting forward a form of account, and saying, "This is the statutory requirement," without saying that the directors should put forth a certain depreciation as well?—My view of the case is this, that the Legislature, upon the general view of all the circumstances, may agree to prescribe the form of accounts; but it by no means follows that the Legislature are to leave it to be understood that, when that is done, everything is done; and so far as I am concerned, I should like to have it understood in the clearest possible manner, that what the Legislature has asked for is the minimum amount of information, and that it must be left to the vigilance of the shareholders to cross-examine the directors at the annual meetings regarding the composition of the items.

713. Do not you think that you run some danger in setting forth a sort of model account of the directors making this reply, "We have complied with the requirements of the Act of Parliament, and we have nothing further to say"?—Then some astute shareholder might say, "That is not a sufficient answer." I should not object to a footnote being added, that in cases where depreciation had been, or had not been, charged, it should be stated.

714. Do you not think that there is some danger of shifting the responsibility from the directors of these companies, where it ought to be upon Parliament, by setting forth such a form as this?—I should be very sorry if any such result arose; my view is the exact opposite; I do not want to shift the responsibility from the shareholders in the smallest degree, but to assist the shareholders by giving information up to a certain point, and telling them that they must complete it in their own way.

715. A suggestion has been made by the last witness, that where the directors of a company had lost three-fourths of their capital, the company ought to be wound up, and that if not wound up they should be liable for any further losses; would that suggestion meet with your approval?—No, I think not; I think it would be very unfair.

716. Why?—I think it would be exceedingly unfair to pass a positive law of that sort without reference to all the circumstances. I cannot imagine a *bonâ fide* company, in which three-fourths of the capital being lost, they would not, for their own sake, bring the circumstance before a general meeting, and let it decide; it by no means follows, that if three parts of the capital are lost, the company is insolvent altogether. I know one case of one of the most prosperous companies in existence, who lost nine-tenths of their money.

717. You would leave the responsibility with the directors?—And with the shareholders.

718. And in the case of accounts, they ought to make that lie on the directors as well?—Yes.

719. Did I rightly understand you, that the balance-sheet of these companies ought to be sent to the office of the registrar every year?—My notion would be, that whenever a joint stock company publishes a report or balance-sheet, that report or balance-sheet should be immediately sent to the joint-stock company's office, and I have no objection to some penalty (not an extravagant one) being imposed, if it is not so sent.

Mr. *Alexander Brown*—continued.

Mr. *Rylands*.

720. When we had the pleasure of seeing you the other day, you laid down two principles; one was that as far as possible, limited companies should be treated the same as private partnerships, and another was that we should avoid paternal legislation. Those were your two principles?—Yes.

721. Is it your opinion that, as far as practicable, the object of the Legislature in dealing with limited companies should be to secure above this result, to protect parties, whether shareholders or the public, from fraudulent acts?—That is obviously the principal direction in which the Legislation can act; it cannot act very well in any other principal direction.

722. You would consider that, if by means of a Limited Liability Act, certain parties entered into a conspiracy to defraud the public, the Legislature should provide on the one hand, as far as it can do, such legislation as would render similar frauds difficult, and on the other hand, provide for the punishment of frauds of that kind?—Yes.

723. Have you any special suggestions to make in that view with regard, in the first instance, to the establishment of the company, as the result of your great experience?—The suggestion I made on the last occasion I would respectfully repeat now, that I consider the Act of 1862 and the Act of 1867 supplemented by the Bill now before the Committee, as containing on the whole a very sound and wholesome outline of the law; and I go further and I say, that I consider that the decisions which have taken place in the courts during the last 12 or 14 years have elaborated and supplemented the legislative outline in a very material manner, and in point of fact, have put this country in possession, partly by means of Acts of Parliament, and partly by the decisions of the courts, of a body of joint-stock law which is certainly superior to that, so far as I know, of any other country in the world; and I consider as a practical measure, that the most efficacious mode which the Legislature can now take of preventing abuses in the formation and carrying on of joint-stock companies would be to have that limited liability law consolidated, gathered into one point, so that there would be no difficulty on the part of the general public and the profession in knowing exactly what the law was. I believe if that could be done, more would then be done in the way of preventing gross scandals than by any other method.

724. But when such provisions have been made with regard to the establishment of the company, where these frauds in the main have existed, do not you think that a company having been established upon a correct system such as would be provided by this codification of the law, we should interfere as little as possible with these companies, in fact, interfere with them scarcely more than we do with private partnerships?—Undoubtedly the object should be to have the smallest amount

Mr. *Rylands*—continued.

amount of interference; but the Legislature cannot avoid interfering up to a certain point, and for this reason, it must be remembered that the difference between a joint stock company, limited or otherwise, and a private partnership is this, that the private partnership consists of two, three, four, five, or half-a-dozen persons who are in constant communication with each other, and who have the means, therefore, of confidential discussion regarding the whole affairs of the concern; whereas in the case of a joint stock company it is a collection of miscellaneous persons, not in communication with each other at all, or only so in a very imperfect manner; and the business of the company must be necessarily in the hands of a small number of persons, called directors. The object is to keep the general body of the shareholders reasonably informed of what is actually being done by the people who administer the affairs of the company. To that end the Legislature may do a little; it can do only a very little; at all events it can do something, and it must do something, or mischief will arise. To that end this form of balance sheet, which I approve, is suggested here in the Bill, and the circulation of the shorthand writer's report of proceedings at the meetings, which I ventured to suggest last time. That, I think, should be done; and when that has been done, all has been done, and the parties must be left to protect their own interests; and if they quarrel amongst themselves, or if the directors commit frauds or defaults, the parties must go to the courts.

725. But would you not draw a great distinction between the measures necessary for the protection of shareholders and the measures necessary for the protection of the public, which may be very different?—You are now speaking of a company in actual operation, as I understand. I do not know that you can very well draw a line between the shareholders and the public; the public are the shareholders up to a certain point, and *vice versâ*. As regards the public, no member of the public, you must remember, is bound to deal with a limited liability company; nobody outside, nobody living in the country or out of the country, is bound to trust them to the extent of sixpence, unless he likes; and as regards the public you must remember the doctrine of *caveat emptor*.

726. When a joint-stock limited company comes to you, supposing it did come to you for an advance of money, you would no doubt take individual pains to ascertain the constitution of the company and the kind of people who are managing it, and, in fact, you would get that general information which would induce you to give it credit or otherwise?—Yes, I should endeavour to do that, certainly.

727. You would not trust to any Parliamentary form?—No.

728. Or to the registrar of joint-stock companies?—No.

729. You are quite aware that in regard to some of the greatest transactions in this kingdom they are carried on by companies whose name even does not represent the actual people within the company, but that bankers and merchants ascertain for themselves full particulars as to the position of the gentlemen carrying on those firms?—Yes, certainly.

Mr. *Rylands*—continued.

730. Do not you think that with regard to the limited liability companies, as far as the public is concerned, it is quite sufficient if the public have a record in the Joint-Stock Companies Registration Office of the names of the shareholders, and of the amount of capital which has been called and the amount which the shareholders are liable?—Certainly; I am quite content with that.

731. What other point has the public a right to know; I am now keeping you to the public, in regard to the credit of the company; what right has the public to know anything more than the people to whom it has given credit, and the amount of liability to which those parties have bound themselves?—I think I said before that the use of the office at Somerset House is this, that it is a convenient place to which persons invited to give credit to a limited liability company can resort, in order to discover first of all who the shareholders are, and then the holdings they have; in the next place the amount of uncalled capital, and in the last place a copy of the balance-sheet which the company last officially issued, and, if possible, the proceedings of the meeting at which that report was presented. That information being had the creditor must exercise his own discretion; he must make such further inquiry as he pleases, and he must either give the company credit or refuse it credit, according to his best judgment.

732. Now you quite understand that the directors in preparing the balance sheet to lay before their shareholders might prepare a very different balance-sheet from a balance-sheet that they might lay before their creditors?—That is possible.

733. Is it not the fact that private concerns would find it a very great inconvenience, occasionally, to submit to their creditors their balance-sheet for a given year?—I daresay in some cases they would.

734. You, as a banker, if you were going to make an advance to a private firm, might insist on their submitting their balance-sheet; I daresay you do; but you would hardly expect that private firm to consent to send in such a balance-sheet amongst its creditors, to the world at large?—In speaking to this Committee, who are men of the world, of course we understand that all statements of affairs, whether of private concerns or public companies, depend intrinsically upon the real value of the things represented by the figures. You have a very model account which sets out assets so and so, and the real value of those assets may be very different, indeed, from the figures which are set against them. That is a sort of knowledge that no Act of Parliament can reach in the smallest degree, and that no set of returns can reach, except for the purpose of delusion; it is that sort of information which constitutes all the difference between the successful and the non-successful management of a business. It does not follow that because a man shows you a set of figures that you are to believe all that is put down on the paper. I knew an assurance office in the city of London (this office is long since defunct) which had the most beautiful accounts of any assurance office in the city of London, and it was known to those whom it might concern that every penny of its assets had been lost for years in a silver mine in the south of France.

735. But do not you think that if a balance-

Mr. *W. Newmarch*, F.R.S.

18 June 1877.

Mr. *Rylands*—continued.

sheet such as you have spoken of, were recorded in a public office by Act of Parliament for the guidance of creditors, that would be a very fertile source of swindling?—It would be a swindle undoubtedly; but it does not follow in the least degree, because a certain balance-sheet is sent to Somerset House, a creditor is called upon to believe all that is on the face of it; he will exercise his own judgment how far he believes it. The Legislature does not undertake to guarantee the quality of the figures.

736. Then why should the Legislature undertake to provide the figures at all?—That is quite a different story; the discussion must begin somewhere; a joint-stock company is an applicant for credit. The ordinary mode in conducting business is, to suppose that a respectable man who applies for credit, is really a respectable man, and would not tell you a downright untruth; the same applies to a respectable company; then you begin to find out all you can about the company, and if you are not satisfied with its own statements, you ask further questions; but there is the broadest distinction between being able to lay your hands readily upon the statements which the company makes of its own capital, and the amount of faith you are to put in them. In nine cases out of ten you will find the statement substantially true; in some exceptional case, you would not, but that seems to me to be the greatest argument in favour of requiring the company to give this information; you must begin somewhere.

737. But it is just this exceptional case that leads to a loss of money in consequence of its being made use of for getting undue credit?—That is inevitable.

738. If the shareholders want to have a statement of the proceedings of the company, they can get it, and do get it at their annual meetings, and upon that statement of the balance sheet they can make any inquiry of the directors, and can cross-examine them if they think fit?—Certainly.

739. But a balance-sheet registered for the benefit of the public at large is not subject to that investigation, and would not the knowledge that it would be so referred to as a means of credit, in your judgment be very likely to lead companies that are not very careful of their proceedings, making out a balance sheet that would tend to promote their credit rather than injure it?—And that is exactly what a careful creditor would consider; he would construe it with that hesitation; he would know that there would be a certain presumption in favour of the figures being put in the most favourable position for the borrower, and he would look at it with that qualification.

740. And you still, having in view the position of the public at large, think it would be desirable to have recorded at the register's office a balance-sheet drawn up, possibly with a view to deceive the public?—Certainly I do.

Mr. *Chadwick*.

741. I did not understand in your evidence the last time you were examined that you went much further than the clause in this Bill, No. 2, clause 7, which says that a balance-sheet and a profit and loss statement shall be drawn up and set forth in the form specified in the schedule;

Mr. *Chadwick*—continued.

I never understood you to say that you would have that balance-sheet printed and published to the world, as Mr. Rylands seems to have imagined; you said that you approve of the balance sheet being drawn up, and of the clause here which says that it shall be "either sent to the registered address of every member of the company, or deposited at the company's office for the inspection of every member of the company;" this clause only deals with the members of the company, and to that extent was the matter of your approval?—It is the latter part of clause 7, "and a copy of every such report, balance-sheet, and statement shall, at least seven days before every ordinary meeting of the company be, at the option of such company, either sent to the registered address of every member of the company, or deposited at the company's office, for the inspection of every member of the company." I go beyond that, and I think that those balance-sheets and reports should be sent as a matter of convenience to Somerset House.

742. And from the number of joint-stock companies with which you are connected, and the fact of your position as a banker bringing you in contact with joint-stock companies, you do not see any public disadvantage in that depositing of balance-sheets for public inspection?—I see a distinct public advantage.

743. And no disadvantage to the company?—None whatever, that I can see.

744. There is one point about the balance-sheet which is omitted here, it was in the first draft of the Bill, and it is omitted now, the question of reduction for depreciation; it is simply omitted because to enforce the putting of it in is to enforce the payment under the present state of the law of the amount of income tax on the depreciation?—Yes.

Mr. *Gregory*.

745. You were asked with regard to the imposition upon the joint-stock companies of this liability to furnish a balance-sheet, whether there was not some degree of unfairness as regards their position and that of a private partnership; now, perhaps it has occurred to you, that a private partnership is formed under the common law?—Certainly.

746. And a man joining a private partnership is liable for the debt of that partnership to the extent of every shilling he possesses?—Yes.

747. On the other hand, a person joining a limited liability company is protected by Parliament, according to the amount of the interest he holds in the constitution of the company?—Yes.

748. He cannot be made liable beyond that; he therefore has a Parliamentary protection, and a Parliamentary privilege to that extent?—No doubt.

749. Therefore, there is a distinction, as I apprehend, between persons under a limited liability and persons under the ordinary law of partnership?—A most vital distinction.

750. And that privilege is accorded by this Bill?—Yes.

751. And Parliament therefore, in according that limited liability, has a right to make any stipulations it pleases for the protection of the public?—Within reason.

752. And you consider that filing this balance-sheet

Mr. *Gregory*—continued.

sheet would be a reasonable protection for the public?—I consider so.

753. Perhaps you are aware of the provisions in the Insurance Companies Act?—Perfectly.

754. And under that Act balance-sheets are filed by all the insurance companies once a year?—Certainly.

755. As far as my experience goes that has not materially prejudiced solvent insurance companies?—No, it was the best measure they ever took.

756. It has not hurt their course of business?—Not the least.

757. And you do not expect that it would be hurtful to solvent joint-stock companies?—Not in the smallest degree in the world.

758. With regard to those companies looking at the Bill which you have in your hand, in this sub-section (b) to which you have referred, you will see that the things which are to be stated are "the material contents of every contract?"—Yes.

759. Has it ever occurred to you that there would be a difficulty in the construction of those words?—I have no doubt there would be a great difficulty in attaching a technical meaning to the word "material."

760. It would depend on the circumstances in each case?—I should think it would. I should think it is eminently a question for a jury and the court.

761. In every individual case?—I do not think that the Legislature can do more than use the words "material contents;" how they are to be construed must be left to litigation.

762. I think you are in favour of this general principle, that there should be some guarantee for the *bona fides* of these companies in their original inception?—Everything should be done to secure the *bona fides* of the companies undoubtedly; that the public are entitled to.

Mr. *Kirkman Hodgson.*

763. I see in your former evidence you state that it is believed that sums of money amounting to millions are lying up and down the country in the hands of liquidators, without any control of any kind whatever, those sums arising from the winding up of these companies; is that statement made from certain information, or merely from general information?—I have no doubt whatever that there are very large sums of money lying up and down the country; whether they amount to millions I personally am not able to say, but there are persons who could give the Committee specific information on that point; but that there are very large sums of money up and down the country at the personal disposal of liquidators of companies is a thing thoroughly notorious in the City of London.

764. Who are the persons who could give information on that?—I should conceive that persons connected with the Bankruptcy Court would be able to give information, the persons to whom the Lord Chancellor referred the question two years ago, the accountant in the Court of Bankruptcy; I have no doubt would be able to give special information.

Sir *Henry Jackson.*

765. Do you see any objection to making this liability to file accounts retrospective, that is to say, making it apply to companies who are now trading free from any such obligation?—I should not see any hardship in making it apply to all existing companies.

766. Even although they were carrying on their business with unlimited liability?—That is a different point.

767. I put that point to you?—I should like to consider the answer I would give to that. I think it might be applied to limited liability companies; I should not like to go any further.

768. Your attention has been called to this Clause 4 in the Bill; have you noticed that it begins by repealing an existing clause in another Act of Parliament?—Yes.

769. Has your attention been called to the section which that clause proposes to repeal?—My attention has been called to the section in the Act of 1867, which is re-enacted by the way here.

770. Have you noticed that this is an attempt to make plain, to prescribe in plain words, the contracts which it is to be enacted would have to be filed and published?—Yes.

771. Are you aware that the present Act of Parliament is exceedingly vague in its language?—I have understood so.

772. Are you aware that almost all the judges who have applied their minds to the construction of it have arrived at different conclusions upon its construction?—So I understand.

773. Then you will take it from me that this clause does not introduce any new principle of legislation at all, but that it is merely intended to substitute some definite proposal for a somewhat indefinite clause which is now a part of the law?—I so read the Bill.

774. You know that this does not really take the matter at all further than in one view of the present law it goes already, but somewhat defines it, and attempts to explain it?—That is my view of it.

Mr. *Alfred Marten.*

775. Do you think that preserving the existing law, or changing it by this clause, is likely to embarrass persons in the formation of companies?—Not *bonâ fide* persons.

Mr. *Isaac.*

776. You said on Thursday that your knowledge of companies was partly administrative, and partly derived from application for borrowing money?—Yes.

777. What do you mean by the term "administrative"?—That I am concerned as a director in some three or four companies.

778. Have you been a director of any companies that have been wound up?—No.

779. You have no knowledge of the effect of winding up companies in your administrative capacity?—No, not as a director, certainly.

780. Have you any knowledge of the winding up of companies in your other capacity, that of a negociator of loans?—Yes, I have seen several cases in that way.

781. Have you experienced any great difficulty with regard to official liquidators in the winding-up of those companies?—My experience has been that I think, of most people, the extreme delay and uncertainty and expense which attends the whole process.

Mr. *W. Newmarch*, F.R.S.

18 June 1877.

Mr. *Isaac*—continued.

782. But do you attribute that entirely to the official liquidator?—I would not go so far as to say that I attribute it personally to any particular official liquidator; I attribute it mainly to the extremely lax system under which the liquidation is carried on.

783. And to whom would you give the blame of that laxity?—I should be disposed to say that the larger part of the blame arises under the system which does not subject the official liquidator to any sufficient constant control.

784. As a creditor, or one interested for creditors, would not you think it your duty to at once apply to the liquidator if you found that there was any unnecessary delay in the retaining of your money?—No doubt.

785. And you have, I suppose, from time to time, in the companies you have been connected with made those applications?—Yes.

786. With a good result, I hope?—Always a courteous answer, but not in many cases with a very practical result.

787. You did not consider it as coming in the province of your interests to enforce a good result?—No, the interest was not large enough.

788. And you did not take sufficient interest in the other persons concerned to do so; have you had any great experience in legal matters that enabled you to give the Committee such decided opinions as you have given upon the points of liquidation?—I told the Committee that I was not a lawyer; my evidence was that of a mercantile man.

Mr. *Isaac*—continued.

789. Then you simply give all your evidence from that one point of view as a commercial man?—Yes.

790. Without any knowledge of the law?—Without any technical knowledge of the law.

791. Have you any ground of complaint to make against any persons who have been liquidating companies in which you have had an interest?—No, I do not know that I should go as far as that. As I said just now I do not single out persons, but my complaint is (and it is a very general one), a complaint of the dilatoriness of the system.

792. But complaining of the general dilatoriness of the system, you never found that you had a sufficient interest in a company to compel the official liquidator to hasten his proceedings, and give you your money?—The general result has been that whatever complaints might be made, the business has not been expedited and brought to such a conclusion as I conceived, and others conceived, it ought to be.

793. Do you not consider that you were to blame for not taking such steps, seeing that you had the power of going to the court?—That may be; but it depends upon the amount of interest involved.

Thursday, 21*st June* 1877.

MEMBERS PRESENT:

Mr. Ashbury.	Mr. Knowles.
Mr. Alexander Brown.	Mr. Sampson Lloyd.
Mr. Chadwick.	Mr. Lowe.
Mr. Goldney.	Mr. Rylands.
Mr. Gregory.	Mr. Shaw.
Mr. Hubbard.	Mr. Serjeant Sherlock.
Mr. Isaac.	Mr. Edward Stanhope.

THE RIGHT HONOURABLE ROBERT LOWE, IN THE CHAIR.

Mr. JOHN MORRIS, called in; and Examined.

Mr. *Morris.*

21 June 1877.

Chairman.

794. WHAT are you?—I am a Solicitor in practice in the City.

795. Have you been employed much in cases connected with joint-stock companies?—Yes, extensively.

796. In what sort of cases; what have they been principally?—Principally in large companies. Probably my experience has been more extensive in the liquidation of companies, and in taking companies out of the court when they have been in liquidation; but I have also had large experience in the formation of companies.

797. With regard to the question of liquidation, there are three kinds, I think, of liquidation, are there not?—Yes, there are.

798. Will you give us your opinion on those three kinds?—My opinion of the three modes of liquidation is, that as regards the compulsory mode there is really very little need for its use at all; that practically all the business of liquidation could be carried on under the other two modes; that is to say, liquidation under supervision, or voluntary liquidation. I would distinguish between what I might call the administrative business of liquidation, and its litigant business; and I cannot conceive any machinery less adapted for the practical business of a liquidation than the machinery of the Court of Chancery. I do not make any reflection at all upon the officers of the court, because I believe there are none more earnest, and no better officials, than the chief clerks; but it is practically extremely difficult, if not almost impossible, to administer a company except at an enormous expense, and with very great delay, if you have to deal with the administrative part of the business through the medium of the court, which is necessary in all compulsory cases. Therefore the result is this (and I think I am not speaking too strongly when I say that I have a larger experience in the liquidation of companies than any other member of the profession), that I certainly would, as far as possible, give every facility for the taking of companies which are in compulsory liquidation out of compulsory liquidation, and placing it in the hands of the parties interested.

Chairman—continued.

799. Whom do you mean by "the parties interested," the creditors or the shareholders?—The creditors or the shareholders, as the case may be. I quite appreciate what I understand to be suggested by your question as regards the parties interested. Practically, of course, you cannot lay down any rule upon that subject; there are companies in which the shareholders alone would decide; there are companies in which the creditors alone would decide; there are companies in which both classes ought to have a voice; but there is practically no difficulty in that. I give it distinctly as the result of my experience, that if facilities are given for the parties interested being consulted upon the matter there is practically no difficulty in the business being administered by them, or under their direction by their own agents, appointed by themselves and changed by themselves, employing what professional men they like, whether it be an official gentleman in the profession of accountants or solicitors, or otherwise. I could mention, if it were necessary, a great many cases in which that really has been practically done. Probably the Committee will not care to be troubled with them, but that is the result of my experience.

800. Then supposing the company do not want to be wound-up, how would you compel it if you abolish compulsory liquidation? — I carefully guarded myself against saying that I would abolish it; I do not want to take away the power of compulsory liquidation; but when an order is made for compulsory liquidation, power should be given to take it out of court, and to allow the parties interested to manage it themselves, subject, of course, to the decision of the court, and to its being fairly done, having regard to the circumstances of the case.

801. Would you allow it in any case to be compulsorily wound-up, according to the present practice?—Yes.

802. You would not abolish that?—No. I can conceive cases in which the power would be needed.

803. But rather *in terrorem* than to be practically

Mr. *Morris.*

21 June 1877.

Chairman—continued.

cally used?—Yes. Would you allow me to make a practical suggestion, which I am sure we are ripe for, as the result of experience, and that is, the abolition of the power to have a company wound up by a notice to pay, what is called 21 days' notice. I would venture to suggest that that should be abolished altogether, and I will tell you why. When the Act was originally passed it was quite appropriate, quite necessary; it followed the precedents of the Bankruptcy cases. I will not labour the case by telling the Committee what I believe is pretty well known, but I will say that it has been very much abused; it is one of the features of the Act, as to which the sooner it can be remedied the better.

804. How has it been abused?—In this way; that if a party has got a claim against a company of acknowledged position, instead of suing for that claim in the ordinary way, they serve a notice demanding payment at the end of 21 days. If they choose, they can present a petition without any legal position whatever, and in that way that power has been abused. I might mention a case: a bank in the City of high position was served with one of these notices; I pointed out to them that the claim was clearly an improper one, and one that they certainly must contest; but it was taken up by litigious people, troublesome people, evidently bent on doing all the mischief they could; and the bank said to me, "Is there the smallest risk of a petition being presented at the end of 21 days if we do not pay? because, if so, we would rather pay and submit to what we know is plunder than run that risk." Perhaps they were very weak about it, and no doubt that class of cases is rare. But I was going to say why I think the clause might be abolished now appropriately, and for this reason; under the Judicature Act any creditor can sue his debtor, serve him with a writ, and at the end of eight days, if the debtor enters an appearance, having no real defence, but doing it merely to gain time, a summons is taken out before a judge, or in the country before a district registrar, and in 24 hours, or at the utmost two or three days, the question can be raised by affidavit, whether there is a *primâ facie* defence or not. Therefore, the difficulty which existed when the Companies Act was first passed of dilatory pleas, and so postponing the exercise of the legal rights of a creditor, practically no longer exists; any creditor can obtain a judgment against his debtor, at the outside in 14 days. Now this notice expires in 21 days, and, therefore, I suggest that there is no difficulty whatever, if that clause were abolished, in allowing it to remain upon the other sub-section in that part of the Winding-up Act, which provides for the creditor having a right to present a petition directly he gets a judgment; because you will see at once that in contested cases judgment of course settles the question. In mere dilatory cases judgment can be obtained by summons before a judge, so that the need for that clause no longer exists; and it would really be a great improvement in that part of the machinery of the winding-up branch of the Act if that were simply abolished.

805. Is there anything else with regard to winding-up that you would like to state?—Yes. As regards the appointment of a liquidator, I was going to make this suggestion to the Committee; at present I consider one of the abuses in the practice of the Act (it does not affect the principle of the Act at all) is this; a petition is presented to wind up a company, whether it be by a shareholder or a creditor, and upon that petition, immediately, in nine cases out of ten, a provisional liquidator is appointed. Now I think that has been very much abused; that is to say, that it is a sort of premium for the first person who can to present a petition to place the matter in the hands of his own solicitor, practically, and his own liquidator; and although the provisional liquidator is not necessarily the permanent liquidator, yet there he is let into possession; and no doubt that has been very much abused; and I certainly would suggest that if there is to be a provisional liquidator, which, of course, it is necessary in many cases to have, it should be done by one of two ways; the first way is, by the appointment of an officer of the company, which would meet nine cases out of ten, because there is scarcely ever a company who has not got some really competent officer who knows all the affairs of the company, and who would be quite able, without any expense whatever, to keep the scales fairly even, and to keep the business of the company going until the question of the permanent liquidator arose. The other way is by the appointment of an officer of the Court. Then as regards the permanent liquidator, what I venture to suggest is this; at present (again reverting to the premium for people to present petitions) the Court of Chancery has found so much practical difficulty in dealing with the exercise of the power of selection of liquidators that they have really, almost, I think, I may say, generally (I do not know that every branch of the Court does it, but almost every branch does, I think), said, "Well, unless there is some very strong reason to the contrary, the onus of which is on the parties setting it up, whoever is the first petitioner has a right to nominate a liquidator; if he is a right person, the Court adopts it for the mere sake of peace and simplicity, and uniformity of practice. Therefore, what I suggest is that before the Court should ever appoint a liquidator at all (having made the suggestion I have done as regards the provisional liquidator), the Court should in all cases be bound to consult the parties interested. There is a power in the Act as it stands now, whereby the Court is enabled to consult them; but that enabling power I would make compulsory. There is practically no difficulty in it, because if there was any case of urgency (which there never would be if you had a provisional liquidator), the creditors or shareholders can be consulted; I have done it myself in a few days in the case of urgency; at most you could consult the shareholders and creditors within a fortnight, and take their deliberate judgment and opinions upon the matter; and therefore I certainly would assist the Court out of that difficulty by interposing the parties interested, leaving it to the Court, having regard to the circumstances of each case to decide, as I said before, whether it should be done by a meeting of one body or the other body, each appointing separate representatives, which in large cases might be necessary, or whether it should be done by calling one body alone. Of course, if there are assets enough to pay the creditors in full, the creditors, as a rule, would not care to have anything to do with it, and would not want to do it; but if, on the other hand, there is not enough, the creditors ought

to

Chairman—continued.

to have a voice in the matter. But I am sure there is, practically, no difficulty in following out the suggestion which I have just made as to the liquidator, because in very large cases in which the liquidation had actually gone into the Court, and had been going on as a compulsory liquidation for six or 12 months, I have succeeded, in spite of very great difficulties indeed, legal, practical, and personal, in taking them out of Court, taking them out of the hands of the official liquidator, and placing them in the hands of the parties interested. The most notable case was the case of the Agra and Masterman's Bank; the next notable case was the case of the Bank of London; but there are numerous cases. I only mention these two cases as examples.

806. What do those two cases illustrate?—They illustrate this, that there is no difficulty under the direction of the Court in substituting for the liquidator the appointees of the parties interested, and taking their opinion, and allowing them to appoint a committee to wind-up the affairs, employing a liquidator or a solicitor, as the case may be, to assist them professionally upon all matters in which professional assistance is required. And there is this distinction between the case of a liquidation of a company and the case of a bankruptcy; in the case of a bankruptcy, by the act of bankruptcy, followed by a petition and a decree of bankruptcy, all the property of the bankrupt passes from him of necessity (different principles apply to the two cases), and must be vested in some person; and therefore you are obliged to have there a person or persons in the shape of trustees who will take the vesting of the estate. Now the principle as regards companies is just the converse of that; the principle of the Companies Act, which I think is an admirable one, is that it does not provide for any *cessio bonorum* at all, but it simply provides for the substitution of some machinery, such as an official liquidator, or a voluntary liquidator, or whatever it may be, for the machinery which existed before; but the corporate character of the company, its position, and all its property continues, so that in dealing with these company cases, we have found no difficulty in the administration of the companies without providing for anything in the nature of a trustee in bankruptcy, and therefore the question of a liquidator is of less importance than it appears at first sight.

Mr. *Gregory.*

807. Could you give me the reference to that clause in the Act which you referred to as enabling the Court of Chancery to consult the creditors or the parties with regard to the appointment of a liquidator?—Clause 91.

Chairman.

808. Is there anything else which you would wish to state to us with regard to the winding-up of companies?—I should like to make also this remark, that when a company fails, great complications have to be dealt with, almost instantly dealt with. As an illustration of that I might mention the case of the Albert Life Office; there there was a company beset with any amount of difficulties. The European was another case. Although those are extreme cases and very strong cases, yet they are not alone; the London, Chatham, and Dover Railway, of course, was another. There are a great many cases of that kind, and the difficulties which exist in the case of those large companies exist in a less degree, but still exist in kind in smaller companies. Now I cannot help thinking this: you see the question of dealing with those difficulties cannot be judged and dealt with as a mere question between A and B; I mean by the same technical rules of law by which mere questions of disputes between individuals, or as regards property, are dealt with; and in all my dealings with these great companies, and all my experience, I have always laid that down as a principle that you cannot apply the technical rules to it; you must be guided by the issue at stake and the complicated interests concerned; and although in the great mass of cases they can be dealt with, sometimes by a great stretch of power, as in the case of the Agra and Masterman Bank, which was done by the judge in that case, it would immensely facilitate dealing with those cases if some such general powers as were conferred by Parliament upon the arbitrators in those exceptional cases, were conferred upon the court in every case, so that instead of having to wait as we had to wait in the Albert case, for two years before any remedy could be applied, the court might do what was ultimately done in that case, apply the remedy instantly.

809. Would you do it in every case?—I would give the power to the Court.

810. Give the power to the Court to assume that power?—To assume that power, subject to this, of course, that I would not allow the power to be assumed in the same simple way as I would the power to make an order to pay a debt or some simple every-day matter. I think it is a power which only should be used after the judge who had charge of the matter taking the opinion also of the Court of Appeal; but I do not think there would be any practical difficulty in substituting for Parliamentary interference, which of course can only be resorted to in very large cases indeed, some tribunal which would check and control anything like the abuse of such a power, if applied to every case. And I might mention the case of the Albert Company by way of illustration. No one saw more the necessity for some such power as that than the learned judge before whom that case came, who is now Lord Justice James; he was then Vice-Chancellor; and I recollect the Vice-Chancellor, when we went to get the order from him in the vacation, turned round to me, knowing that I had had large experience, and he said that the signing of the winding-up order in the Albert was one of the most painful acts he had done. He felt it was a calamity, but there was no other machinery provided for it, except the Winding-up Order; and he turned round to me, personally, and said, "I trust you will bring your experience to bear on this matter, and never let it rest until some means are found of taking it out of court, because the court is wholly incompetent to deal with the case, and the machinery of the court is wholly insufficient." And that learned judge constantly, whenever the Albert case came before him, repeated what he had said to me as to the impossibility of winding-up a complicated case of that kind by the ordinary machinery of the

Mr. *Morris.*

21 June 1877.

Chairman—continued.

the court; and the result was, after two years had been wasted almost in very great expenses and fruitless efforts to do anything else, we had to go to Parliament and do, at the end of two years, what we might have done at a merely trifling expense at the beginning. And then, with reference to the remark of the Right honourable Chairman, as regards the possibility of the power being exercised rashly, or hastily, or without any proper security for it, I would suggest that the Court would have two checks. The first check would be that this extraordinary power should never be resorted to except after great deliberation on the part of the Court of Appeal, probably, as well as the judge; and, secondly, that practically the judge would exercise and does exercise in all these cases a very wide discretion in dealing with any scheme of that kind, as Lord Cairns did when the thing was brought before him. Of course, in dealing with companies, you are dealing with property, complicated rights, and the kind of complications which really cannot be dealt with effectually, unless they can be dealt with promptly, and cannot be dealt with effectually by what you may call the ordinary rules of the Court when deciding between A and B.

811. We are not so familiar as you are with these matters; perhaps you will tell us what sort of powers you contemplate vesting in the judge in these cases?—The powers are very simple. In the case of the Albert the Court had power to settle a scheme for the reconstruction of the company, and in settling that scheme, to consult with the parties interested, and to take their opinions; and in dealing with their rights not to be bound by the technical rules, either of law or equity, but to exercise its discretion, having regard to the circumstances of the case. They are very large powers, I know.

812. Is there any precedent for such a thing, except the one or two particular cases you have mentioned?—There is the case of the London, Chatham, and Dover Railway, which had gone on in the Court of Chancery for certainly three years; scarcely the smallest thing could be dealt with unless it was by attending in chambers in great force; there were 16 or 17 firms of solicitors represented, and I am certain it could not have been decided under 20 years, and at an expense something prodigious; yet by referring it to judges, having powers of this kind, it was dealt with and disposed of in a few months. So in the Albert case, having these powers, the arbitrator settled, in a comparatively short time, to the advantage of the parties interested, and to the enormous saving of expense, every question involved in the case of that company, and the company was wound up, which it never could have been by any other mode. Then we have the case of the European. You have those three companies.

813. Then you would suggest that the Court of Appeal should decide when these powers are to be given?—Yes, that is my suggestion; simply because I would not allow the exercise of these extraordinary powers to be put in force ordinarily, and certainly not to be put in force except after great deliberation, having regard to the circumstances of the case; that is to say, that supposing a company to fail, such as the Albert, to-morrow and these powers existed, I would propose that, any persons interested should have power to apply to the Court of Appeal, and make out a case before that Court to authorise it, to get them to do what could not be done otherwise without Parliamentary interference, to sanction within certain limits the exercise by the judge of these compulsory powers.

814. Have you anything else to say on the subject of winding-up?—Yes. One of the witnesses, when I was here before, spoke of some provision as regards the paying in of money under voluntary liquidations into court; I would venture to suggest that that would be found unworkable. I am speaking negatively now. I object to it *in toto*, simply for this reason, that it would be found to be utterly unworkable in practice. The fact is, that voluntary liquidations assume, and have assumed, and always will assume, every kind of form; sometimes a company goes into liquidation merely to re-arrange its business; sometimes it goes into liquidation for an amalgamation with some other company; and the forms in which, under the very excellent and plastic powers of the Act, the voluntary liquidation has been applied, have been most convenient and excellent in practice. But it would be extremely embarrassing in the working out of all these special matters if there was anything like an attempt at paternal legislation. I think that you cannot leave the parties too much to look after themselves. And so as regards the money, I do not object to the utmost possible publicity; returns every year, and being guided by experience as to any legislation; but the last witness, Mr. Newmarch, I think rather confounded the case of small bankruptcies, which, in the aggregate, amount to a very large sum, where by certain returns it appears that moneys have been retained in the hands of the bankruptcy trustees, with the case of companies. I do not think that the statement applies to company liquidations; but if it does, what I have suggested as regards the increased powers to be given to the parties interested is the true antidote. Let the parties look after their own affairs; do not attempt to look after them by any fancied protection of paying money into court; that is the first principle. But, secondly, it would be utterly impossible to apply it to a great number of cases where liquidations of companies are used for purposes other than pure liquidation, cases where there is no intention to administer the assets. I have seen liquidation gone through for every conceivable purpose that you can suggest. In those cases a liquidator has been appointed as a mere matter of form; one of the directors of the company. It would be absurd if one bank wanted to amalgamate with another bank to put them in leading-strings, and say that they shall not do this and shall not do that. It would be found extremely difficult to work, and as far as my experience goes, it is not necessary.

815. Is there anything else which you wish to state to the Committee on that point?—I was going to make another suggestion as regards the company business, affording an additional illustration as regards what I have already said of the difficulty of administering it in court; probably the members of the Committee are not as practically acquainted as we are with the working of chamber practice, and the mode in which it is conducted of necessity, notwithstanding

Chairman—continued.

notwithstanding the excellent arrangements of those chambers through the judges' personal supervision, and through the very able chief clerks who exist in almost every chamber. Everything is done that can be done, but notwithstanding all that, you can only get appointments at long intervals; probably at this time of the year it may take weeks before you can get an appointment.

Mr. *Chadwick.*

816. You are referring now to official liquidation?—Yes, I only mentioned this, not as an additional suggestion, but as an illustration of what I have said of the real impossibility of administering it, at a moderate expense, and without an enormous waste of time in the chambers of the chief clerks. For instance, if I had an appointment before a chief clerk, I might get him to give me an appointment at half-past nine as a favour; I have known chief clerks who would do that, and have done it in a very recent case; but as a matter of the ordinary run of business, appointments are given for say, eleven o'clock; it may come on at twelve; it may come on at one; everyone cannot wait, and it is hurried through with the ordinary litigant business; and it is extremely difficult to work company business by a machinery in court so constituted, and necessarily so constituted, not susceptible of improvement. The only improvement I can suggest upon this branch of the case, assuming there is to be any business of an administrative character continued in court is this; probably it would be found that in any case there would be a residuum of compulsory business; I would not take that away; but what I would suggest for consideration merely (I do not throw it out as a positive and absolute remedy), is whether you should not confine company business to one branch of the court, instead of having it, as now, spread over every branch of the court; that is to say, there are four branches of the court now, and with the present last judge, Mr. Justice Fry, there are five branches, and in each set of chambers there are three chief clerks who take the business in alphabetical order, indiscriminately with the ordinary litigant business, every-day business. Now there is nothing which experience has more demonstrated than this, that if company liquidation business is to be well conducted it must have some machinery provided for it which can deal with it continuously, and not by disjointed appointments, which can in case of need take it up *de die in diem*, as Lord Cairns did in the Albert matter; and therefore it would be an immense improvement (it is a revolution which I am suggesting, but I only throw it out as a suggestion) if, in connection with that class of business, it were possible to confine the chamber practice, if not the court business, to one branch of the court, and to allow those chief clerks to give their exclusive time to these very serious matters which come before them in connection with company liquidations; and in case of need, having that department alone to attend to, they would be able to so arrange the business that in pressing and important matters they could give continuous sittings and do pretty much for every company, where the circumstances required it, what was done with such admirable results by Lord Cairns and the other arbitrators, in those heavy matters to which I have referred.

Chairman.

817. Have you anything more to say on this subject?—Nothing more on liquidation; I think I have exhausted the subject.

818. Now, I will ask your opinion with regard to the 38th section of the Act of 1867?—The 38th section, of course, is now the subject of very serious litigation. Probably the Committee are aware that the judges were equally divided in the last case before the Court of Appeal; two one way and two the other. Upon the question of the policy of the section I must say that I am against (speaking generally now) anything like looking after people's business for them, and pretending to give them artificial protection that they can lean upon; that I think would be a delusion and a snare; but I think that anything which does enable publicity, indeed compel publicity, and make it obligatory upon persons going before the public to disclose everything, would be a blessing. The objection which we find in practice to the 38th section is contained in that very fact which I mentioned at the beginning, that even the highest judges in the land cannot tell us what the section means; and therefore what we ask from Parliament is, that if there is to be such a section (as to the policy, it is a very large question, which I leave entirely in the hands of the Committee, but supposing there is to be such a section) what we say is, make it precise, so that we may really know what it is; and do not place us in this position, that when a company is formed no one, not even the most accomplished lawyer, can tell what to do, whether to put in a thing or not to put it in. If that is done then I do not see any objection myself (I say that my opinion is not worth very much upon this question, because this is not a question of experience, it is a large question of policy, but whatever my opinion is worth I see no objection at all) to every publicity being given to the arrangements connected with companies, especially when we know what mischief has resulted from palming off on the public very bad concerns, through, I think in a great measure, the absence of that information.

819. Would not the doctrine of courts of equity with regard to fraud be sufficient protection without any clause at all?—That is really a large question; personally, I should have thought it would. I will tell you what I should have said, if consulted on this section originally. I think the principle on which this Act is based of leaving people to themselves to be the right principle. When I remember what was done in the railway panic of 1845, and my experience extending over 40 years, I say there is no greater mistake than to attempt to let people fancy even, that you are protecting them; it is productive of the greatest possible mischief; and, therefore, speaking generally, I hailed the Companies Act of 1862 as an enormous advance upon everything that preceded it; and I am bound to say that it is my experience, generally, that that Act has worked most admirably, speaking generally, and that the less you interfere in attempting to protect people the better; and, therefore, when I gave my opinion before, I simply said that if the Committee should decide in favour of the principle of such a section as this 38th, I see no objection to it, if you tell the profession who administer the law what it is they have to publish; because I do not object to the utmost possible publicity.

Mr. *Morris*

21 June 1877.

Chairman—continued.

publicity. I think if there is anything where the principles of the Act might be somewhat departed from it is in the direction of making it perfectly clear that parties in applying to the public for subscriptions to the companies are to disclose everything. But with regard to the point which you have suggested, about relying rather on the principles of the court of equity, there is no doubt that there is a great deal in that, and, the very fact that this section has already given rise to litigation without end almost, and bids fair to give rise to still greater litigation in the future in certain events, shows the difficulty of attempting to create statutory protections of this kind. Therefore, though I say I do not object to the section, yet I confess myself, if it was a new matter I should hesitate about adopting it.

820. Is not the difficulty in the nature of things itself; do you think it would be possible to draw a section with this intent which would not give rise to litigation?—I think it would be very difficult; I have tried my own hand at it; I am certain that the section as drawn in the Bill which, I understand, has been referred to this Committee, Mr. Chadwick's Bill, would not work

821. You have not yet succeeded, as I gather, in drawing up a clause which would work?—I have tried my hand at it; I shall be happy to hand it in to the Committee for what it is worth; but every time I look at it I see difficulties in it. I will point out, if you will allow me, just two or three points upon this section. I have assumed, in attempting to draw up a clause, that Mr. Chadwick's section is before the Committee; I have assumed that the principle of it is settled; of course it is an open question, but assuming that to be settled by the Committee, I have endeavoured to try my hand in an off-hand way at the machinery for giving effect to it; and I found two or three points which were really very serious. I will mention one by way of illustration; for instance, supposing you provide, as the 38th section of the Act of 1867, and this section of Mr. Chadwick's Bill both provide, that in every prospectus inviting subscriptions, certain things are to be set out, then that can only apply, or ought only to apply, to an original subscription; and therefore I have endeavoured in my amendment to deal with that which is an element of difficulty, but the section, as drawn, the 38th, and Mr. Chadwick's, dealt with it in general. Now take the case of a bank which I am concerned with, a bank which wants to make a further issue of capital, a prosperous concern. The 38th section, and this section of Mr. Chadwick's Bill, as drawn, would both apply to that, and make it obligatory upon me that I should set out every contract of every kind that I ever made; and it was found in practice to be so difficult to apply, that I recollect in two or three cases which occurred, some ingenious draughtsman, put into the prospectus, or rather into the form of application for shares, "I hereby apply to you to allot to me so many shares, and I absolutely disclaim the protection of the 38th section."

822. Has that been decided to be a valid contract?—Not at all; on the contrary, I should think very doubtful. Then the next section that arises is this; the 38th section, and Mr. Chadwick's section also says that you are to set out ever contract. Now Mr. Chadwick's section does attempt to draw a line somewhere, by saying that it shall not apply to contracts for supplies or services not exceeding 200 *l.* in value. Now, I am sure that a little reflection would suggest to any one that it is difficult to say how far that will go; for in the first place, supposing I say to a man "I am going to form a company, and I shall engage you as a clerk for two years, at 300 *l.* a year," is that to be considered above 200 *l.* in value; supposing it is a porter engaged for a longer time, at a lesser salary, is that to be set out? It is, in fact, extremely difficult to draw the line at all; it is extremely difficult to know where to draw it. Then another difficulty that arises on that section, or any attempted amendment of it, is this. According to the principle of the court of equity, if fraud is committed, and a party has a remedy for that fraud; as for instance, supposing a fraudulent prospectus is issued; fraudulent, I mean according to the ordinary principle of the court, nothing is clearer than that the party who has been defrauded, directly he discovers the fraud, is bound to come to the court, disown the contract, claim the benefit of the remedy afforded to him by the court in consequence of the discovery of the fraud. That is perfectly clear; there are hosts of cases in Chancery, whereby that question has been settled beyond controversy. There was one class of cases brought before this Committee on the former enquiry, which was this; a company filed a memorandum of association for doing one class of business, and did not confine its prospectus to that class, and the courts held that that was a departure from the basis of the company, that it was a fraud upon the shareholders, and that the shareholders could claim back their money upon the ground of technical fraud. Of course that case was constantly arising in the courts, and Lord Cairns laid it down very strongly indeed, in a celebrated leading case, that the shareholder was bound to come the instant he discovered the fraud without the smallest delay for that remedy, and the reason is obvious, because a shareholder in a company who says that he has been defrauded may speculate and say, "I will continue in the company; if it is a success I will claim the benefit; if it is a failure I will claim against these people, who I say defrauded me, though I do not act immediately on the fraud." Now the principles of the courts say, "You shall come immediately;" that is according to the ordinary principle formed upon common sense and equity, and what is right between man and man; but by the statute in a fraud of this kind nothing can bar it except six years; it is an absolute right of action which cannot be barred except by the Statute of Limitations, and therefore I have suggested in my attempted amendment of this section, if it is to be adopted, words to the effect that that principle of the court shall apply to this section, so that a person who says that he has been defrauded shall not play the part which I have before referred to, of sticking to the shares for such time as he thinks it convenient, and then coming and claiming the benefit of this section. Then there is another question, take the question of the measure of damages; that is a question which arises, on which the courts have been all at sea, What is the measure of damages? Take, for instance, the case which I put just now; if I engage a clerk

Chairman—continued.

a clerk at 300*l.* year, and I do not set out that contract, that is fraudulent according to one construction. Are the directors and the promoters of the company to be liable to repay every sixpence of the money which has been received, it may be hundreds of thousands of pounds, perhaps 12 months after the company has been formed; or two or three years, when great changes have taken place; are they to be liable to repay every sixpence of that money, because (it may be even accidental and unintentional) of the concealment of a contract, involving not a very serious amount? I mention that as another objection. I do not mention those as objections to the principle; I only say that if the principle is adopted, then these points will have to be dealt with in defining the section. Of course it shows the difficulty of defining it: I do not say that it is impossible; I believe that I have, to some extent, succeeded in framing a clause which probably would work pretty well; but still I quite appreciate the fact, that it is very difficult indeed to frame any section, unless it is done by much more accomplished minds than I can pretend to aspire to, which would at all work; which would not be subject to constant litigation; and I would desire to mention to the Committee, in dealing with this question of principle, which they will of course eventually consider, what I said at first, that I trust that whatever amendment may be made in this law, at all events it will be so precise, so clearly defined, so absolutely certain, that neither the professional men who have to advise upon it, nor the gentlemen who have to become directors of, and otherwise connected with, honest and straightforward companies, shall be left in doubt. I had a case the other day, where a very distinguished gentleman was becoming director of a company, of which I was solicitor; the capital was all privately subscribed; there was no difficulty about it; but still he was very nervous about this 38th section; he said, "Though it was intended to be privately subscribed" (we even avoided a prospectus, but we had a printed statement) "some person might say that he saw this printed statement, and subscribed upon the faith of it; now, is it perfectly clear that that section cannot be made to apply?" I thought I had taken care of it; taken every precaution that human ingenuity could suggest; but still, with a general section not absolutely clear, precise, and definite, it is almost impossible to keep on the safe side; bearing in mind that these things have to be dealt with in everyday life; that somebody has to take the responsibility of it, either to advise, by a professional man, or to accept the responsibility by those who have to work it out; I trust that any amendment of the law will have the merit of being precise, if the principle is to be adopted.

823. You have a clause of your own, I understand?—I suggested an amendment to Mr. Chadwick's clause merely because I wanted to illustrate the points which I have submitted to the Committee.

824. Will you read what you propose?—"Every prospectus or notice announcing for subscription or containing an invitation to subscribe for any share, bond, or debenture of any company under the Companies Acts 1862 to 1867 shall comply with the following requirements: (*a*) If it relates to the first substantial issue of the shares of the company (1), it shall state the date and the names of the parties to and the material contents of every contract made before the issue of such prospectus or notice (other than contracts relating to the ordinary and necessary expenses connected with the formation of the company) by or on behalf of such company, or by any person who is or afterwards becomes a promoter, director, or officer thereof, where such contract is to be carried into effect, out of the funds either wholly or partially, or capital of the company, to be subscribed under such prospectus or notice, or is for the benefit of such promoter, director, or officer in relation to the promotion or undertaking of the company; (2). It shall contain a copy of the memorandum of association of the company, and of the names, addresses and occupations of the persons who have signed the same, and the number of shares in the company agreed to be taken by each of such persons: (*b*). If it relates to any issue after the first substantial issue of shares, or to any issue of bonds or debentures of the company; (1). It shall state the date of the registration of the company, the names, addresses, and occupations of the directors thereof, and in the case of an issue of bonds or debentures, whether the same are secured by the hypothecation of the whole or any and what portion of the property of the company; (2). It shall contain a copy of the last balance-sheet submitted to the then last general meeting of the company, if any has then been held, and if not, it shall contain a balance-sheet made out in the form marked B in the schedule to this Act, or as near thereto as practicable, and made up to a date not to be more than one month before the date of the issue of such prospectus or notice. Every prospectus or notice which does not comply with the aforesaid requirements shall be deemed to be fraudulent on the part of every promoter, director, or officer of such company who has knowingly issued, or been concerned in the issue of such prospectus or notice as regards any person applying or subscribing for any share, bond, or debenture in the company on the faith of such prospectus or notice, unless such person has had notice of the omitted particulars, or shall fail, on becoming acquainted therewith, promptly to prosecute his claim under this section, it being declared that the doctrine of equity as to *laches* and acquiescence shall apply thereto in the same manner as if an action had been brought for fraud on the ground of a fraudulent statement in, or omission from, such prospectus or notice independently of this statute. Every person who has signed the memorandum of association of the company, or is at the date of the issue of any such prospectus or notice entitled under any agreement either absolutely or contingently on the formation of the company to receive any payment or benefit out of the property, funds, or capital of the company, whether coming to him directly or through any intermediary other than the necessary *bonâ fide* or ordinary expenses connected with the formation of the company, shall be deemed to be a promoter of the company within the meaning of this section." That is not my section; I have endeavoured to improve the section contained in this Bill of Mr. Chadwick's.

825. Do you think that any human being would ever put himself within danger of this section?—It is very difficult to say. Unless it is more precise than the Bill puts it, no one can work it. I will mention one point; you are to

Mr. *Morris.*

21 June 1877.

Chairman—continued.

set out "the material contents of every contract." Now if you say to any solicitor or barrister engaged in the preparation of the papers of a company, "What are the material contents?" He would say, "The whole beginning with 'This Indenture,' and ending with the signatures."

826. "The ordinary and necessary expenses of promotion," you say in your amendment; is not that difficult to define?—Yes, it is extremely so. Then there is another difficulty; take the words as to the occupations. Mr. Chadwick says that you should have the occupations of the persons who are to be directors. Now it is very difficult sometimes to define an occupation; and in the Bill of Sale Act there has been any amount of litigation whether a bill of sale has been properly registered, or not, as against the bankrupt's assignee, and it has been set up. "but the man is described as a gentleman," or, "he is described as a cowkeeper, and he is not a cowkeeper," and so on. The real difficulty of dealing with the principle involved in this section is this, the enormous responsibility which is involved in deciding and dealing with its practical application in everyday life. No doubt if you could really with perfect propriety define the principle and insure the publicity without the risk of serious litigation it would be a blessing; but I confess I would sooner leave it to the principles of the Court which are perfectly clear, that if there is any fraudulent suppression, or misrepresentation, the Court shall find a remedy for it. (And now courts of law can deal with it as well as courts of equity.) Nothing is easier if a man brings an action against me for goods sold or delivered, than to set up fraud.

827. Was not the origin of that section the fact that the common law judges shrink from applying the doctrine of fraud so far as the courts of equity were ready to apply it?—I do not think so; I think the origin of that section was the general feeling that if publicity could be insured it should be done; but I had occasion some time ago to trace out the real history of the section, and I believe it was really drawn up very hastily; it was never even discussed in the House; it was proposed one day and passed the next, just in the last stages of the Bill, the main object of which was to facilitate a reduction of capital after the panic of 1866.

828. Is there any record of it in Hansard?—No; I have traced out Hansard; my clerk very diligently searched, and there is not a word of discussion. It seems that the section was brought in by Mr. Ayrton; I do not know under what circumstances; not in consequence of the Report of the Committee; it is not referred to in the Report at all; but it was brought in one day on, I think, the 6th of August, just on the eve of dissolution; and it was most important to get the Bill through; this section was brought in one day, adopted with some very loose amendments the next day, and it stands in its present form, I believe, purely and simply the result of hurried preparation, probably on the part of the people who prepared it ultimately; because it is not now in the form in which Mr. Ayrton put it in. Then it simply said, I think, that you should be bound to register the contracts. The registration of contracts is a simple fact easily defined. If it is thought proper to say that every contract (if you can define a contract), shall be registered, that is a perfectly possible thing, and I would say that it should be put in that form rather than throw upon us, who have to administer the law, the obligation of deciding what are "material contents."

829. Have you any further suggestion to make to us?—Not on the 38th section. I take it that this Committee is sitting for the purpose of picking up the results of experience on the working of this Act; and I might mention with reference to the reduction of capital, which is the subject of a Bill brought in by the Government, at the instance of some very large interests, that really deals with no questions in dispute as far as I know, but simply deals with the reduction of the paid-up amount and not uncalled liability, and there really, as far as I know, is no possible objection to it. I only refer to that to mention that it was a slip in the Act for the reduction of capital not to provide for that case; of course it is of no importance at all, excepting this, that if a company through a period such as the coal and iron trade has been passing through, has lost through depreciation or bad years a large amount of capital, it is absolutely hopeless for a company like that to have to make up all its losses, and to wait till they have done that before they can come again into the possession of a dividend-paying concern; it really is perfectly harmless that the parties interested, the shareholders, should if they like have their shares put down instead of 20 *l.* as 10 *l.*, so that they may at all events get a dividend upon the reduced amount, in no way interfering with the rights of the creditors. And the matter came before the Master of the Rolls on an application under the Act some time since, and he pointed out very strongly in his judgment, and I have since embodied it in a letter to the Board of Trade, the absolute necessity for some alteration of this kind; and I only venture to suggest that if the Committees, by reason of their labours taking a wider scope than at first intended, should be unable to deal with all the matters before them this Session, this Bill should be allowed to pass; it is a very pressing matter; it is a matter in which at least 30 or 40 very large companies are very much embarrassed in the conduct of their business, within the limit of my knowledge; and a more influential deputation never appeared before the Board of Trade than that which appeared before them for the sake of pressing upon them this very simple matter embodied in the Bill. I was going to suggest on that one remark about the return of capital. Experience has shown that there ought to be some facilities which do not exist at present for the return of capital which is not required. I think that the Government Bill does to some extent deal with that. At present it is in the power of a single shareholder to object according to the view which our courts take, that it is *ultra vires* for a company to return any part of its capital. Now, that is in cases where even the rights of creditors are in no way interfered with, where you take every protection for them, or even obtain their consent. Now there can be nothing, applying the principles of ordinary partnership to a company, more necessary than that companies should be allowed to mould this and any other matter which does not interfere with rights of third persons in any way they like. I only mention this as an additional illustration that the principle of the Company's Act

Chairman—continued.

Act should be extended rather than repressed, and that we should allow companies, as far as possible, to regulate their own affairs as long as the rights of third persons are not interfered with. No doubt the return of capital has been found in experience to be a necessity almost in the administration of many companies, and one as to which it would be a very great improvement if it could be facilitated. I have only one other word with reference to the 38th section which bears on the point I mentioned just now, which is this, that if an exceptionable principle was laid down as to the 38th section, it would be difficult to apply it to anything except limited liability companies. We might find it the fashion if the public become fond of joint-stock companies, again to have foreign companies introduced. I remember the time before the limited liability companies when foreign companies were the rule, and were facilitated. Now, take the case of the London General Omnibus Company; the company law was so difficult then that they were formed under a French constitution. Now it is obvious that as bearing on the question of all artificial protection such as the 38th section, it is no doubt open to this consideration also, that promoters of companies will probably find some way out of it either through foreign companies or something of that kind. Then again it does not apply to companies formed under Acts of Parliament. That only shows that the principle would be limited to limited liability companies whereas if the principle be a sound one it ought to be made to apply to all.

Mr. *Gregory.*

830. I do not know whether you have seen this return which is just out, a summary of proceedings in judges' chambers for the year 1876; it is an annual return, I think, made to the Treasury from the judges' chambers; perhaps you will look at it, and you will see, I think, the number of summonses brought in for winding-up companies for the last five years (*handing the Return to the Witness*)?—Yes.

831. That shows the number from 1872 to 1876?—Yes. The number of orders brought into chambers for winding-up companies in 1872 were 57; in 1873, they were 75; in 1874, they were 81; in 1875, they were 138; and in 1876, they were 147.

832. So that there has been a considerable increase in the year 1876, according to that return?—Yes.

833. Then lower down you will find the number of orders in cases pending?—Yes. "Number of orders for winding-up companies pending at the date of this return:" in 1872, there were 598; in 1873, there were 631; in 1874, there were 673; in 1875, there were 783; and in 1876, there were 868.

834. Both those show the same results, that there has been a progressive increase, and greater in the year 1876 than in any other?—Yes.

835. Now you have spoken of the inconvenience in the proceedings in chambers from the want of continuous sittings, and I can quite corroborate anything that you say in that respect; but I do not think you have suggested any distinct remedy for that?—Yes, I did; I ventured to suggest a rather radical remedy, though I do not say it is a very practical one, which is this;

Mr. *Gregory*—continued.

that, if possible, some arrangement should be made whereby the business of these company liquidations should be administered in one set of chambers, under one judge, probably; but that is not essential, at all events in one set of chambers; so that the one, two, three, four, or five chief clerks should be able to give their attention exclusively to that class of business.

836. Then I am afraid the other suitors would be practically excluded from the benefit of those chambers?—I would have a special class of chief clerks for the purpose, if necessary.

837. You know that some gentlemen, called official referees, have been recently appointed?—Yes.

838. Their labours are not very onerous, are they?—Quite so. I have my own opinion about the appointment of official referees. If the official referees had been as practical men as the chief clerks, then I should say that a more admirable machinery for taking up this sort of business could not be found.

839. I was going to ask you whether you think that machinery could be made available which exists there for this purpose?—My fear is just that, that the official referees are not men who have had any experience in dealing with this sort of business, whereas the chief clerks are taken from a class who have had a great experience. I do not think there are a better body of public servants to be found anywhere than the chief clerks; they are hard working-men and thoroughly able.

840. But then, as you are aware, this winding-up business takes up a great portion of their time?—Yes, a great portion of their time.

841. Did it ever occur to you that the bankruptcy and the winding-up business might be consolidated?—That is a very large question. When the first Winding-up Act was passed, no doubt there was a great question whether the business should be conducted in Bankruptcy or Chancery, I confess myself I have rather a leaning to Chancery, if you can take the administrative part out of the chambers, or at all events provide increased facilities for conducting it as far as it cannot be taken out.

842. Do you, or not, think that the administration of companies in liquidation, and the administration of private estates in bankruptcy should be before one and the same tribunal, or one and the same department?—I do not agree in that theory; it may be so, but in practice it will be found extremely difficult. In the first place that portion of the bankruptcy business which goes through the Bankruptcy Court is such a small class, the sweepings of the shop you may term it, that practically no respectable solicitor cares to have much to do with the the Bankruptcy Court; and certainly if we have to take the winding-up business through that court we shall require some very extra fees to induce us to pay attention to it.

843. But that is as much in the nature of the court as in the nature of business?—In bankruptcy every effort is made by professional men and the parties interested to keep the matter out of court.

844. Now I was coming to that: you have made something like the same suggestion with respect to the liquidation of companies, that they should be as far as possible kept out of court. Now in the first place. I think I understood you

 that

Mr. *Morris.*

21 June 1877.

Mr. *Gregory*—continued.

that you would abolish this trades debtor summons, what we call the 21 days?—Yes.

845. But I presume, you would allow a creditor who has recovered judgment to present a petition for winding up?—Certainly.

846. It would be on recovery of judgment that he would be in the situation of a petitioner?—Yes, the Act provides for that now; I would leave that as it is.

847. And you must leave compulsory liquidation to that extent?—Yes, and also the ordinary process of the creditors petitioning on the ground that the company ought to be wound up.

848. Therefore you must have compulsory liquidation to a considerable extent?—I think so. I can see many cases in which it is a power *in terrorem*; but taking it out of court as soon as you can, if it has to go in; keeping it out if you can, and taking it out as soon as possible if it has to go in.

849. Would you give any further facilities than are given by the present law for withdrawing it after the order is made?—Yes, certainly.

850. Has it occurred to you how that should be worked out?—Simply by consulting the parties interested, by a meeting.

851. That would be, I suppose, the judge consulting the parties interested?—He would direct that a meeting should be held.

852. You see you would have an order for winding up?—Yes.

853. And it would of course be a compulsory winding up under the machinery?—Yes.

854. You would then have either to modify or to discharge that order, and that must be done by the judge; whom would you make the moving party in that application to qualify or discharge that order?—I would not qualify or discharge that order; I would, in the first place, consult the parties interested as to the appointment of a liquidator, and also as to the best mode of administering the estate; because, even with the order remaining, you may administer the estate out of court. We did that in the case of the Bank of London. The winding-up order had been made and continued so long that it was impossible to discharge it without upsetting existing rights; and therefore we wound it up out of court, notwithstanding the order.

855. Do you contemplate this, that when an order has been made, there should be a meeting of the parties?—Yes.

856. And that it should then be put to them whether they would proceed with the order or would liquidate otherwise than by means of the order?—Yes, quite so; whether they should proceed under the order or liquidate otherwise than under the order.

857. Then the appointment of the liquidator would be provisional only until after that meeting had taken place?—Quite so.

858. And I suppose you would leave the provisional appointment entirely without prejudice to the subsequent one?—Quite so; and I would limit the selection of the provisional appointment to an officer of the company; or, if that could not be done from any exceptional circumstance, I would make it obligatory upon the court to appoint temporarily an officer of the court, say, the chief clerk.

859. I think you have already stated that it is within your experience that it is a great object to get the carriage of the order for winding up now?—Yes.

860. And a great run is made for that?—Yes.

861. It involves the appointment of the solicitor and the official liquidator?—Yes.

862. I do not know whether you have known cases of arrangement between the solicitor and the official liquidator?—I have heard of such cases.

863. For division of the profits of such liquidation. I have heard of such cases; I hope it is not true. Such a case never came under my personal cognizance. I do not believe that any gentleman in the profession, who had any self-respect, would be a party to such an arrangement; and I do not believe that any one of the high-standing firms of liquidators I have seen here would be a party to such an arrangement; but, at the same time, you have hit a point; and I have said, not only before this Committee, but in my practice for the last 10 or 15 years, "Let the parties interested administer their own affairs in their own way." That is the best way to put an end to all jobbery. I will take the case of a young solicitor who has not got much position in the world. He is suddenly called in to a company in difficulties. When a company is in difficulties, everybody loses his head. I remember that in 1866 I was called in for a bank which had to stop payment temporarily, and every director was powerless, and could decide nothing. Now, just conceive the temptation to a young man, he has got the appointment of liquidator practically at his disposal; and no doubt it is a very great temptation to make such an arrangement as the honourable Member refers to; and, if it exists, it only exists according to the rules of human nature, just as commissions are stipulated for in the every-day transactions of life; and, therefore, all I can say is, that if that fact exists (of which I cannot speak to my own knowledge), it is only an additional reason, and a very strong reason, why every encouragement should be given to take it out of the power of the court, and for this reason. No solicitor will have anything to give away to a liquidator; and no liquidator will care to bargain with a solicitor if his tenure of office is simply so long as the parties interested will choose to decide. No man will stipulate for that if there is to be no provisional liquidator appointed, except, say, an officer of the company, or an officer of the court, and the permanent appointment would be entirely outside the hands of the solicitor. Now I should like to say one word to add to that, and it is this: whenever I have been placed in a position, such as I suggested just now might occur to anyone, of having the responsibility of selecting the liquidator, I have always made it a rule, and I endeavour to lay down that as a rule in my office, which I never allow to be departed from, that there should be no patronage in the hands of the solicitor; in other words, that I shall consult my clients always; that I would not be open to the appearance of having any arrangement with any liquidator. Now all that would be protected if you had such meetings as I have suggested.

864. At present we are dealing with things as they are; and dealing with things as they are, liquidators have a very large power in their hands, have they not?—Very large.

865. They have the entire power of compromising with creditors practically?—A very large power.

866. And

Mr. *Gregory*—continued.

866. And of dealing with the shareholders as regards their calls?—Yes, certainly.

867. And of exonerating shareholders, if they please?—Yes.

868. Or pressing them, if they think fit?—Certainly.

869. And, therefore, it is most material, in fact, essential, that the liquidation should be in the highest possible hands?—Yes, certainly.

870. And if it gets into bad hands it is very liable to be abused?—Almost certain to be abused. Nothing has saved official liquidation and rendered it tolerable at all, but the high character of the leading firms in London who have had the conduct of it. I might mention a striking illustration, the case of the late Mr. Coleman. In 1866, I remember, I went to Mr. Coleman, when there were two banks which had stopped payment, the Bank of London and the Consolidated Bank. There seemed to be absolutely no hope of saving either of them. In three weeks we got one on its legs again, and the other, very shortly after, was taken out of liquidation. How was that done? It could not have been done if it had not been for the high character of Mr. Coleman, and my appealing to him on public grounds. I said, "You will do an act which will redound to your credit in commercial circles as long as your name can be remembered if you come and assist me in helping these two concerns out of the rut which they are in." He was the liquidator of one of them, and it was entirely through the great assistance, prompt, ready assistance I got from a man of his high standing, and also from Mr. Quilter, who was liquidator of the other bank, that I was able to accomplish that result. But for the high character of the parties it could not have been done. The power given to these liquidators is something difficult to understand being entrusted to anyone unless a man of the highest character.

871. Then as to the charges; I am not now speaking of any gentlemen of high standing, but there is very little check over the charges of the liquidators, is there not?—I consider that there is very little check indeed. I will take, for instance, the scale of charges which is at so much an hour. I think the judges in Chancery have done this; and really I cannot blame them for it, as they were placed in a position of great difficulty. There was a leading case on the subject, which absolutely compelled the judges (though it was most repugnant to them to have to deal with it) to fix some limit for the liquidators' remuneration.

872. What case was that?—The Agra and Masterman, which compelled the judges to fix some scale. Up to that time it was left an open question, and nothing could be more strong than the remarks made on the former Parliamentary inquiry, both by Vice Chancellor Wood and the then Master of the Rolls, Lord Romilly, as to the difficulties they felt in dealing with this matter; but they were obliged to deal with it, and they did it by fixing it at so much a day, so much an hour. In the first place, I should say that the charges per day are most unfair; that is to say they are excessive only in this sense I mean. Take my case: I am a professional man; as a solicitor the only charge I can make strictly is two guineas a day, that is to say so much an hour (it comes to that); but a liquidator is allowed to charge upon the more important cases I think it is either eight

Mr. *Gregory*—continued.

Mr. *Morris*.

21 June 1877.

guineas or ten guineas a day. I do not at all say it is excessive for the liquidator, looking at it by itself, because I know they have very responsible duties to perform; but I say that it is part of a larger question, and that the profession I am connected with have duties to perform equally responsible. I consider that every day of my life I incur responsibilities far greater than any liquidator does. I have said to them privately, "You gentlemen talk about your responsibilities. I, as a solicitor, see a man and advise him for 6 *s.* 8 *d.*; that is the utmost I can charge strictly, and I advise him wrongly and run the risk of being liable perhaps for 10,000 *l.*; I am liable to my last farthing to compensate him for damages; no liquidator incurs any such responsibility as that." I admit that he has got anxious work at times, and has to exercise sound judgment and great experience. I would pay him liberally for it, but when you come to measure it by the day, I say that it was an unfair remuneration to give him relatively to what other professional men get. And I say further, in my case as a solicitor, if my charge is challenged before a taxing-master he sends for my diary, which he has a right to do, and he sees "attending So-and-so." And he says: "Why you have had fifty attendances this day; you could not have given them proper attention; you cannot be allowed to charge for that." But with the liquidator you have no check; the liquidator can charge almost what he likes; I do not say he would do it; I believe, as a rule, the liquidators exercise this power of charge, just like the other powers I have referred to; but if a liquidation got into bad hands and they wanted to make up a case, nothing is easier. I remember the case of, a liquidator asking my opinion once what I thought his charges would come to in a certain liquidation; and he asked me more as a friend, "What do you think my charges come to? I said "I do not know;" "Well," he said, "They will come to 365 days for the year." I said, "That is Sundays included; how do you get at that." He said, "I get at it in this way; I start to go down in the country at five o'clock in the afternoon; that is one day; a journey down is a day; I do two days' work in the day that I am down there; that is two days; I come back the next evening by the mail train; that is four days; that is four days in one."

873. Would you be kind enough to give us the practical result in that case which you mentioned of the Agra and Masterman's Bank?—The practical result of the Agra and Masterman's Bank as regards the remuneration, was this; the liquidator was in charge of the Agra and Masterman's Bank for, I think, about four months; he made a very large claim; I think it was some 25,000 *l.* for himself and clerks, and partners, and I think it was eventually settled by the court at 9,000 *l.* Certainly we felt in that case (I was concerned and it was a very painful inquiry), that the evidence showed how hopeless it was to attempt to check the time. More time was probably not charged than really they occupied; but if it had been, there was no means of checking it.

874. Coming now to the inception of companies you have spoken of the operation of the Act of 1862 as being a very beneficial one, I think?—Yes.

875. Now

Mr. *Morris.*

21 June 1877.

Mr. *Gregory*—continued.

875. Now does that apply to the entire operation of the Act, or is that only speaking in very general terms?—I speak of the operation of the Act first, relatively as compared with the law which existed before then, and absolutely as to the general machinery for conducting the ordinary business of the company. The provisions of the Act as to liquidations probably never contemplated such a case as the Agra and Masterman Bank; nevertheless I found that the powers of the Act could be stretched even to extend to that case; and I found that the Act was admirably framed, simply because in all those cases, both in the inception of the companies, in the conduct of their business, and in liquidating them it leaves the parties to manage their own affairs; and where the Act does break down, is where it attempts to interfere with that.

876. But with regard to managing their affairs their own way, the parties previously to this Act could not form companies at all; they could form them by partnership only?—Companies could have been formed under provisional and complete registration.

877. But I am speaking not only of this Act, but of the whole system of Joint Stock Companies Acts?—Yes, quite so.

878. Under the common law they could only be formed as unlimited partnerships?—That is so.

879. That is what would have been the effect of leaving the parties alone?—I do not mean leaving them alone in the sense that there should not be proper machinery for registration, for publicity, and dealing with all the questions which the Companies Act does provide for to a very large extent; but I mean as regards the administration of the business (not the constitution of the Company), the administration, of the every day working of the Act. The adapting it to every-day circumstances which arise in the practical conduct of business, I think the Act is admirably framed.

880. You admit that even in the original inception of the companies the Act is susceptible of certain qualifications and amendments?—I am not prepared to admit even that.

881. Not even on this question of publicity?—No. I advocate publicity, if any one can be clever enough to define it in such a way that it can be administered with absolute certainty. The principle of publicity I advocate, but the difficulty is to define how to get it.

882. Would you rather have this 38th clause of the Act of 1869 omitted altogether?—I would rather not express an opinion on that. I have already said all that I can say on it generally, and I feel some delicacy about it, because I am concerned with pending actions.

883. Do not you think that parties joining these companies ought to have notice of the liabilities of the company which they are joining?—Certainly, that is publicity.

884. Assuming that there is no such clause as this 38th, how would you insure that publicity?—Because the law, as I understand it, independently of the 38th section, does give to any person a remedy for any omission in the prospectus, or any untrue statement in the prospectus.

885. That is to say, that you consider that they might avoid their contract for taking shares by alleging that it was fradulent?—That is the best remedy that I think can be devised.

Mr. *Gregory*—continued.

886. But would the mere concealment of a contract be such a fraudulent representation as to enable them to avoid the contract for the shares?—I think so. Take Bagnall's case, the other day, in the Court of Chancery. That was a case not by a shareholder under the 38th section, but by the Company suing in its corporate character on behalf of all the shareholders on the ground that certain improper, or alleged to be improper, payments had been made, or improper contracts entered into, and the Vice Chancellor decided that all those payments had to be refunded by the people who made them. If that is sound law that is a remedy.

887. Was not that under the 38th section?—No, it was by the company; a company cannot sue under the 38th section. I do not think that the remedy of individual shareholders is at all one which should be encouraged. No one knows better than yourself the way in which litigation is fermented if you allow multiplicity of actions; the remedy by the company is better. But if the 38th section should be ultimately construed in accordance with the decision of the first court, it will lead to thousands and tens of thousands of actions amongst the various companies.

888. I do not quite understand your position; you advocate publicity to the fullest extent?—Yes.

889. Then I do not quite see how that publicity is to be insured?—I have endeavoured to help the Committee in the best way I can by trying to frame a clause which is as nearly as possible the remedy; but after I have done it, I am obliged to say to you that I think with all my efforts I have not succeeded; still I have done my best.

890. If you propose the clause, then I understand your position?—I submit the clause; I cannot propose it.

891. I understood that you went to this extent, that the only mode of securing publicity you would suggest, was the ordinary remedy of the doctrine of fraud in the courts of equity?—If you add the word, "practical," then it will express what I meant to say; the only practical mode. I repeat again, that I am entirely in favour of publicity, if a proper clause could be drawn. I confess that my skill has not succeeded yet, notwithstanding the fruits of it which I have submitted, in framing a clause which I think on the one hand accomplishes the object, and on the other hand, does not aggravate the mischief by introducing elements of uncertainty.

892. I want to get from you whether your opinion is, that the mere ordinary doctrine of fraudulent representation, as administered by courts of equity, sufficiently ensures the publicity which you advocate?—It is very difficult to answer questions of the general character of that put by the honourable Member; but I can only repeat that I am entirely in favour of publicity. I should be glad to see some other remedy, if it can be simple and absolutely precise, additional to that which the common law provides; certainly I should; but on the other hand, though I should desire it, I think that it is a lesser evil to rely upon the ordinary principles of the Court, which the recent decisions have shown to be extremely elastic, holding that all parties who get up companies are promoters and trustees for the shareholders. I would rather rely upon that, though not so perfect, perhaps, as one would like to see it,

Mr. *Gregory*—continued.

it, and though not so simple, perhaps, as one would like, rather than embark in an uncertain remedy which is to create litigation, uncertainty, and risk, not only for the dishonest and schemers, but for the honest, and people who really desire to keep within the law.

893. Now I do not know whether you have seen the returns which have been laid before Parliament from time to time of the companies which have been registered, and their nominal capital, and so on?—I think I have seen them.

894. Now we had an instance before us of a company being registered with seven shareholders having paid up 1 *s.* a piece; do you consider that a legitimate application of the Act?—No, I do not; I should like to see that improved; I do not call that interfering with people managing their own affairs; I call that rather taking proper means before permitting the company to carry on business at all. My remark about managing their own affairs meant this; start the company, create it, and give it corporate powers, and then do not attempt to fetter its management; but as regards the inception of a company I am entirely in favour of stopping the mere getting up of bogus companies.

895. You would have some guarantee for the *bona fides* of the company before you allowed it to be registered as a limited liability company?—Certainly.

Mr. *Chadwick.*

896. I do not know whether you have been concerned as solicitor in Bagnall's case to which you have referred?—Yes.

897. And in the recent case of Twycross *v.* Grant?—Yes, my partner was concerned; I only know it from the papers.

898. I gather from you, that if you had your will you would repeal the 38th section of the Act of 1867, and re-enact nothing in its place, leaving it to the operation of the doctrine affecting frauds?—I have never said that; on the contrary, I said that I did not only desire every publicity, but I have tried my hand to frame a clause, and I have submitted it to the Committee, which goes very near accomplishing what the 38th section does not; but after I have done all that, I say I have not succeeded in doing it to my satisfaction. I am entirely in favour of publicity; I am entirely in favour of an effectual remedy, if it can be found, but I repeat that no remedy is better than a bad remedy.

899. What I want to ask you particularly is this, do you believe it is possible to require more disclosures than it would be prudent in any case to give; is it not desirable that we should enact that every person seeking subscription to a company should make the fullest possible disclosure, even if it went to the printing of every article and every point in the agreement?—I am entirely in favour of full disclosure.

900. But what occurs to me is, that if you try to make full disclosure you find all sorts of difficulties in the wording of the clause, and do not suggest a practical remedy?—On the contrary, I think that the remedy suggested in the Bill is impracticable; mine is very nearly practicable, but does not attain that degree of practicability which you ought to have if you were going to introduce a statutory offence.

901. You complain, and other witnesses have complained, of the difficulty in court under official liquidations in getting orders; and in the appointment of liquidators in joint-stock companies you say there is a difficulty in the court appointing, on the recommendation of the creditors and contributories. Now, have you looked at Clause 91 of the Act; will you please to look at that: Clause 91 gives special powers to the court to regard the wishes of contributories and of creditors; does not that clause give all you recommended?—Certainly; I referred to that clause; when the honourable Member asked me to refer to the clause I said that I wished to make obligatory what now the court could do. I admitted that the court have the power. I said I wanted to make it compulsory upon the court; not they may consult, but I urged that they shall be bound; that the Court should understand that it is the intention of the Legislature that before they appoint an official liquidator to exercise the power I have mentioned with all its difficulties, they should be bound to consult the parties interested, whether they be creditors or whether they be shareholders.

Mr. *Chadwick*—continued.

902. Then your evidence is not so much that the law does not enable the wishes of creditors and contributories to be consulted, but you were complaining of the practice of judges in carrying out the law rather than of the power of the law?—Not exactly; I say that at present judges are bound, in the ordinary course of matters, to appoint the liquidator unless some one takes some independent motion to ask him to appoint a meeting. I would make it the ordinary and natural course of things to appoint meetings, and that meetings should be the essential preliminary for the appointment of a permanent liquidator; then it would become the ordinary course of things, and not exceptional, as now. You know perfectly well that what is exceptional has to be put in motion, and you must have a combination to do it. I would make it obligatory and compulsory that the parties should be consulted; in other words, I would take the patronage out of the hands of the mere professional men concerned and the Court, and place it in the hands of the parties interested in the company.

903. Then I understand you to say that you admit that the present law does enable the courts to carry out your recommendation and appoint either secretaries or members of the board of directors of the company in liquidation to carry it out; they have full power to appoint whom they think proper as liquidators, either official or voluntary?—Yes.

904. Now as to the Bill before us that you have looked at, Bill No. 2; passing over Clause 4 which you have already criticised, I shall ask you if you approve of Clause No. 5 in the Bill, that says unless two-thirds of the capital is subscribed the company shall not be established?—Yes, I do. I approve of that clause.

905. Do you approve of No. 6 clause in the Bill?—Yes, I approve of that.

906. Do you approve of No. 7 clause in the Bill which settles the form of accounts, and the balance sheet, and the report?—Yes.

907. And No. 8 clause in the Bill, which gives power of summary proceedings in case of failure in these respects?—Yes. Allow me to suggest an amendment, a proviso on those two clauses. I should provide this, that as to this statutory requirement to publish a balance sheet, a company may,

Mr. *Morris.*

21 June 1877.

Mr. *Chadwick*—continued.

may, as it were, contract itself out of that, that is to say, that if the shareholders or the parties interested choose to say in their articles, or by a special resolution, that this section shall not apply to their company, they shall be at liberty to do that, and I will tell you why. When the first Limited Liability Act was passed, before the Companies Act of 1862, I mean the earliest Limited Liability Act, the question of publishing a balance sheet was very carefully considered, and it was at first intended to make it obligatory on companies to publish balance sheets; but then a practical man, a friend of mine, came, and said to the committee, "If you make it obligatory in every case, you will limit the operation and scope of this Act very much indeed, because the Act is intended to embrace a large class of cases where parties carry on a trading business, and do not want their affairs to be known, or even to be printed and published amongst their own shareholders, except to the extent they wish." I know of many companies which have been successfully formed under this Act, and managed and worked to the great advantage of all parties concerned, which certainly would be frightened at making this obligatory. I am quite aware that it is not required in the Bill here to publish it by filing it; that of course would be fatal; but even as it is I cannot see what objection there can be to allowing the parties interested, the shareholders of a company, to say, "We object to this applying to us, because, for special reasons (affecting exceptional cases, if you like), we do not want to have our affairs discussed." Take the affairs of the Scotch banks; there are great banks in Scotland (not under this Act of Parliament, I admit) representing hundreds of millions almost of capital, and they make it a rule never to print a balance sheet, not even to distribute it. I admit I do not think that a good practice; but still it is a practice, and I do not see why you should do more than say this, "The rule is that you should do it "in every case, unless, from some exceptional "circumstances, you choose to agree amongst "yourselves that you shall not do it."

908. Now Clause 9 is intended to remedy the defect you spoke of in the Act of 1867, as to reduction of capital, and to cary out the recommendation of the Master of the Rolls in the case of the Ebbw Vale Company?—I think that the Government Bill, which is substantially the same as this, does carry it out; and we have suggested, after consulting with counsel, certain verbal improvements in it which, I think, will make it quite clear.

Mr. *Rylands.*

909. You mentioned the case of a memorandum of association of a company being so drawn, that when the directors in the interest of what they believed to be for the benefit of the company went beyond it, they were liable to an action being taken against them by the shareholders?—Where the memorandum differs from the prospectus they are liable.

910. That is to say, they are absolutely restricted to the purposes of trade contemplated in the memorandum of association?—Quite so.

911. And if they proceed to any transaction, however beneficial to the company it may promise to be, if it is *ultra vires* of the memorandum, they are liable to the consequences, if their proceedings are objected to by a shareholder?—I am

Mr. *Rylands*—continued.

not prepared to answer the question exactly in that form. My point was rather this, that speaking of the memorandum and the prospectus, the one is the legal record which contains their powers, the other the popular statement upon which the subscription is founded; that is to say, you go to the public and state your case in a prospectus, and you go to the registrar's office and record your legal powers in a memorandum, and those two must accord; if they differ, as for instance, if you take powers by the memorandum to carry on any business, and by the prospectus you say it is a banking business, the Court will say, "They differ; this is a fraud on the shareholders; you ought to have told them;" and a shareholder has the right to go if he goes promptly, and have his money returned to him on the ground of fraud.

912. The point I wish to direct your attention to is this: supposing in a memorandum of association a company is formed to manufacture a certain article, and in the course of the trade of the company it is found of great advantage to manufacture some other article not described in the memorandum of association?—That is clearly *ultra vires.*

913. And any court would set aside any such transaction?—Yes. I hesitated to answer your first question, because I was not prepared to say that the directors were personally responsible for that. It could be stopped and undone.

914. But you are aware that if a director does anything, *ultra vires,* and incurs expenditure in carrying on that operation, the court will set aside the operation, and leave the director to pay the expenditure?—They would set it aside; but I am not prepared to say that they would find the director in all cases personally responsible.

915. You are aware that though in carrying on a company in practical business operation, it is sometimes found that some extensions of the operations of the company, not originally contemplated by the memorandum, would be very highly beneficial, the company is prohibited from carrying them out in consequence of the cast-iron character of the memorandum of association?—Yes.

916. Do you not think that instead of requiring, as is the case now, that such a company should wind up, and a new company be formed with another memorandum, there would be a great public advantage and convenience if some provision were made, under proper restrictions, for the alteration of the original memorandum of association?—I see no objection to its being done, under proper restrictions, as you say, probably getting the sanction of the court to it, and so on, but it should be done very carefully; if a man joined a company for making blacking, and it went in afterwards for making whiting, there would not be the same profit, perhaps, made in the two cases.

917. You would consider that it should be done under the sanction of the court; that there should be given due notice to the shareholders and other parties interested?—And creditors.

918. But that you would enable it to be don without requiring the consent of everybody?—Supposing it should be found that any extension or alteration, of the company's operations, not materially differing from its original objects, would be beneficial to the company, and that it is approved

Mr. *Rylands*—continued.

approved of by a very large proportion of the shareholders indeed, and the court sanctioned it, and the creditors did not object, I should say that, on the same principle as you can effect other objects, change the name, increase the capital, and so on, you might do that; but it would have to be done very carefully; you must draw the line somewhere.

919. The articles of association, as you are quite aware, can, by special resolution be considerably modified, such resolution not requiring the sanction of the court; would you consider that a modification of the memorandum should be in the same way provided for by resolutions of meetings of shareholders, attending under certain conditions, and subsequently approved of by the court?—To the limited extent which I have before suggested; I would not give an unlimited power to alter.

920. Still to this extent, if it could be shown to be desirable and advantageous in view of the general interest of the company?—Yes, I am inclined to think it would not be abused.

921. Now, I gather from your opinions that you would rather seek to protect the public from these frauds, which have excited so much attention, by securing certain conditions under which companies are originally formed in relation to the supplying of capital, and the *bona fides* altogether of the transaction, than by any legislation supplementing the present legislation with regard to disclosures?—I have expressed my opinion rather guardedly upon that point, and I do not know that I can add to that. I am in favour of publicity to the fullest extent.

922. I do not want to carry you over that ground; but you would consider, would you not, that the best safeguard to the public would be so to hedge round the first establishment of the company as to secure the *bona fides* of the transaction as far as possible, rather than afterwards lead the public to rely on some Act of Parliament for protection from their own folly and carelessness?—Yes, speaking generally.

923. Now I understand that while you are not prepared to recommend any clauses as an amendment on the 38th of the Act of 1867, you are not prepared to advise the repeal of the 38th clause?—I am decidedly in favour of repealing the 38th clause if you cannot find a better one; not because of the principle, but I am clear as to this, that if you decide that the principle involved in the 38th clause should be maintained, you will be bound to substitute another clause for it, the clause being so defective, that the Court of Appeal is divided in opinion, two and two.

924. I presume that that case will now be carried to the House of Lords?—The appeal is pending before the House of Lords, as I understand.

925. Is it not the fact that in regard to very important questions of law, as determined by the interpretation of the Acts of Parliament, we depend upon the judge-made law of the House of Lords or courts of appeal generally?—Yes, judge-made law as founded upon principles of jurisprudence, but not judge-made law in interpreting an Act of Parliament. I call that judge-interpreted law, not judge-made law.

926. But practically the result of this appeal will be that the House of Lords will decide what is the exact meaning to be applied to the 38th clause?—The House of Lords can only so decide

Mr. *Rylands*—continued.

on the particular case before them; they might say this, for instance, very easily: "This case involves such a very large payment" (if it does) "to the promoters, that, therefore, we hold that this particular case does come within it;" but I should be very much surprised if the House of Lords were to lay down, if Parliament shirks the responsibility of doing it, any such rules as these; No. 1 so and so, No. 2 so and so, No. 3 so and so; and what we want, who have to administer the law, is to know what we have to do; and I cannot conceive that the House of Lords can possibly lay down the rules which will guide us in the future conduct of cases of that kind. Nothing is easier and more common for the House of Lords than to lay down certain general propositions, founded on principles of jurisprudence, and they apply the old principles, to new cases constantly arising in the commercial world and they lay down rules founded upon their application; but nothing of the kind can apply here; for here the judges simply have thrown before them the section of an Act of Parliament (the history of which I referred to before), evidently on the face of it excessively loose, and they have to interpret it. If the principle is good it seems to me that there ought to be a better clause to give effect to it.

927. You do not, then, anticipate any decision from that interpretation which would relieve us from the present dubious interpretation of this clause?—No. If Parliament considers that the principle, imperfectly expressed in that section, is one which should be maintained permanently and amplified, then it seems to me that in a proper legislative style, with the assistance of experts, they should endeavour to frame a clause to give effect to the principle.

928. Now is it not the fact that all these frauds, which have been very extensive, and very varied, have taught the public a lesson which they would never have learnt without that experience of the losses produced by these fradulent transactions in connection with joint-stock companies?—I believe that experience teaches us all; that we get wiser as we get older; I do not know that I can put it further than that. I thought in 1866, after having seen, perhaps, more of the horrors resulting from Black Friday than any man in the kingdom, having seen strong men paralysed and rich men fancying that they were poor in an hour, that people would never forget that lesson; but I lived six years afterwards and they had forgotten the whole of these lessons.

929. But these lessons that have been taught by the abuses of the Limited Liability Companies Act have occasioned very great caution in the minds of people who would otherwise be inclined to go into those companies; they have led the public generally to be more careful in regard to them; is not that so?—Quite so; all experience of the practical working of companies, and the abuses which are found in it, does teach us in all epochs such as that of 1866. The same thing occurred in 1845; I remember, under the state of the law which existed in 1845, during the railway mania, every kind of company was framed and brought out, just as much as since; and we thought then that people would be taught from experience, but they soon forgot it.

930. However, experience, as you admit, does teach; and do not you think that if we seek to meet every possible contingency, and to provide

Mr. *Morris*.

21 June 1877.

Mr. *Morris.*

21 June 1877.

Mr. *Rylands*—continued

for every possible case, there will be a danger of inducing people rather to rely upon the protection of the Legislature than upon their own good sense and care?—Quite so; I think the true principle, that of the Act of 1862, is to let people look after themselves; but at the same time, if any steps can be taken in the inception of a company, to make the incorporation a serious thing, it would be well; I am a little shocked by that idea of a company being formed by seven people signing for one shilling a share; one would like to get that protected against, so that there should be some more serious preliminaries gone through before the company assumes a corporate character. I do not believe in its being much protection, because I believe it would simply come to what all the protections have come to which have been devised by Parliament in railway cases. Now take the case of railway companies, Lord Redesdale is always laying down special rules for limiting the borrowing powers: "You shall not issue shares till so much has been paid up, and you shall not exercise the borrowing powers until a later stage." A skilful contractor drives a coach-and-four through it; he simply devises his contract in such a way as to accomplish what he wants. What is constantly happening? The public are taught to rely on these safeguards. I have seen debentures issued, for instance, in the London and Dover Railway, in various branches of that railway, without a single stroke of work being done. The theory of Parliament was that you shall not even issue the shares until all sorts of protection had been given; and yet practically it is done when no money has been spent.

931. Then on the one hand you think we must be careful not to lull the public into false security?—Yes.

932. But on the other hand, do not you think we ought to be careful not to create a web in which innocent directors and other persons promoting companies may get involved?—Quite so; that is precisely the difficulty I see in an amendment of the 38th section. I think that in attempting to amend that, unless it is done by some one ten times more skilful than I can pretend to be, it would be preparing a net in which innocent people would be caught as in a trap.

933. If the system laid down is so complicated it might have the effect, might it not, of preventing honourable men who would be very desirable men to promote companies, from promoting companies which would be advantageous, but which they could not venture to enter upon?—Quite so; I think that the effect of it may be this: your introducing stringent and impracticable restrictions, such as I think the honourable Member has in his mind, might have this effect, and a very serious effect it would be, that the promotion and direction of companies may get into the hands of a very low class indeed, whereas it is to the interest of the public and the *bonâ fide* investors in companies that the promotion and management of companies should be in the hands of the best class. It is very difficult to get such persons to join companies even under the present state of the law; if it is made unnecessarily stringent it will be still more difficult.

Mr. Serjeant *Sherlock.*

934. You propose in the event of the 38th section in the Act of 1867 being repealed to amend the proposed clause in the Bill now before you in the manner which you have read out to the Committee?—I do not propose to amend it; I suggested if the Committee decide in favour of the principle of that section a few points for improving that section. I doubt the principle of it very much.

Mr. Serjeant *Sherlock*—continued.

935. Do you not think it is is almost impossible to go back by simply repealing the 38th clause and striking out any idea that prospectuses are to be full?—I think it is; I think that after the public have got accustomed to fancy they have got a certain protection in the 38th section that is almost impossible. I think if it is possible to do it, I would rather make an effort to improve the section, and it was in that sense that I endeavoured to make an amendment of that section.

936. It would be impossible now to disavow the principle of publicity?—Much more difficult. If it were a new matter I said I should suggest so and so, but the section being once there I suggested an amendment to it.

937. Now, in one of your proposed suggestions of amendment, you speak of the substantial issue of shares. May not that word lead to very great litigation as to what is a "substantial" issue of shares?—I will quite admit that, but I had a difficult task to endeavour to frame a clause which would accomplish something practical and be precise. I have done my best; that is all I can do.

938. It has been decided by the Lord Chancellor, that any shareholder complaining of any misrepresentation who delays to come to the Court at the earliest moment loses his remedy in the Court of Chancery?—Certainly; he elects then to stick to his shares.

939. You appear to think that where that right is given by a statute, the same principle of a Court of Equity which objects to relieve a suitor who has been guilty of laches or neglect would not apply?—I think not, because when there is a statutory form of remedy, which gives a remedy to an individual *simpliciter*, I am not aware of anything to stop that remedy, except for six years; bearing in mind that this remedy after damages is a right by the individual shareholders against certain men, promoters or directors; it is a personal right, and can only be enforced by an action for damages. I am not aware that the court of law or judicature would permit in answer to that action the plea that you did not come immediately.

940. Would not the claim be to be relieved from his contract?—No, his claim is for damages for fraud in the taking of shares. The 38th section says that the omission to set certain things out shall be deemed fraudulent as against any director or other person who has improperly issued this prospectus.

941. "Any prospectus or notice not specifying the same shall be deemed fraudulent on the part of the promoters, directors, and officers of the company knowingly issuing the same as regards any person taking shares in the company"?—Yes.

942. That does not point to the remedy; does it not enunciate the principle that a fraud has been committed upon the innocent shareholders?—I am not prepared to say that; it may not be a defence, but it is because I doubted it, and because I thought it would be most unjust that a man should have a remedy and keep it in his pocket, and that the doctrine of the Court of Equity

Mr. Serjeant *Sherlock*—continued.

Equity is so founded on practical sense and justice, that I thought it ought not to be left in doubt; and, therefore, in framing the suggested amendment I put it in to avoid any risk of doubt.

943. I think you called attention to the case of the Agra and Masterman's Bank?—Yes, I did.

944. That was a case, I think, in which the official liquidator charged for 148 hours in the week, or 24¾ hours a day, including Sundays?—I cannot remember; that occurred 10 years ago, and I cannot remember the details now; I think it has been said so.

945. That bank went into liquidation in the year 1866?—Yes, 1866, the year of the panic.

946. It was proposed, I think, by the shareholders to re-establish that bank?—Yes.

947. And that proposal was objected to, and opposed by the liquidator?—That is rather a delicate question; you see I was concerned in promoting and carrying out that re-construction, which was said to be an impossibility, and by a sort of ingenious device, taking advantage of the powers of the Act, I succeeded in getting it adopted by the Court; but the liquidator always said, and I believe would say now, that he did not oppose it; but all I can say is that we would rather have had to do it without any liquidator in the way.

948. You succeeded in re-opening the bank on the 7th of January 1867?—Yes.

949. But you had trouble in effecting that?—A tremendous struggle; in fact so great a struggle, that when I was called in, having had some experience in similar cases of banks, and they said, "Can you do this?" I said, "It is very difficult. Do the parties interested wish it?" "Yes, they do; we think we can get the bulk of the shareholders and creditors; but we are bound to tell you we have been advised by the leading man in Lincoln's Inn that it is impossible." I said, "If the parties wish it I will try my hand at it." No doubt it was a very difficult case, and Vice Chancellor Wood, in giving evidence here on the former inquiry, pointed out that it was a stretch of power, and he felt he had carried the power of the statute to the largest possible extent, in order to remit to the parties interested the management of their own affairs, because he felt the impotency of the court to manage their affairs for them.

950. Am I correct in saying that the shareholders' committee (for you had a committee of shareholders) offered the liquidator 7,000 *l.* for seven months' work, and that he asked 38,000 *l.*? Something like that; I cannot remember the figures; they have gone from my mind; and now it is so many years ago; but my figures are rather less than those. I thought the liquidator asked 25,000 *l.*, and that he ultimately got 9,000 *l.*, and I think the committee offered him 7,000 *l.*

951. Am I correct in saying that though he reduced his demands to 25,000 *l.*, his original demand was 38,000 *l.*?—I do not think there ever was any formal demand for that. I think that the day that we walked into the bank and had to take the keys from the liquidator, I had some unofficial and off-hand talk in which a much larger sum than 25,000 *l.* was mentioned and pressed, but it was not persisted in. I think the formal demand was limited to the smaller sum.

Mr. Serjeant *Sherlock*—continued.

952. You were also, I think, concerned in the Albert Life Insurance Company case?—Yes.

953. That was established in 1839, and failed in 1869, I think?—Yes.

954. That absorbed a very large number of other companies?—Yes; 30 or 40.

955. That was compulsory liquidation?—Yes, that was compulsory liquidation.

956. I think you estimated the cost of the liquidation at about 20,000 *l.* a year for 10 years?—Yes, and it turned out to be more than 20,000 *l.* a year. I estimated that the liquidation would last for 10 years; Lord Cairns wound it all up, practically, in twelve months.

957. You wound it up in a year and a half; but then there had been 30,000 *l.* spent in the Court during that time?—They had it, I think, about 18 months in their hands before the arbitration. The liquidators had spent during that time about 30,000 *l.* or 40,000 *l.*; it was not only the expense of the liquidator, but the expense of the whole machinery of liquidation.

958. And those two cases have impressed you strongly with the idea that that system of compulsory liquidation is a ruinous one for the shareholders?—I think you must have coercive powers in the Court to bring to it companies which ought to be wound-up, to compel them to wind-up, but I would remit the administration of companies, even after the order is made, to the parties interested.

959. You would leave to the Court of Chancery the power to make an order to wind-up, but you would remodel altogether the mode in which that winding-up would be carried out?—Yes.

Mr. *Alexander Brown.*

960. I understand you to say with regard to the 38th section, that you think it should be amended and not repealed?—I have a little delicacy on that. I do not say it should be amended and not repealed, but what I do say is that if the section had never existed I think it would be rather mischievous than otherwise to introduce it; but being there I am a little afraid that you will not satisfy that amount of leaning which the public have had on it, unless you provide some substitute for it.

961. On the choice of evils, you would rather go on by improving it, than removing it altogether?—Yes, I am inclined to that.

962. And you went on to put in a draft of a clause with suggestions on the subject which you say you are not quite satisfied with that you made on that Bill?—I am anything but satisfied, because I did not pretend to be artistic. I simply wanted by suggesting amendments to show that I was not merely cavilling at the clause as framed, by merely raising difficulties, but that I was showing the direction and the nature of the amendments required.

963. Do you not think that you could send in to this Committee after further reflection a clause which you think would work, taking your amendments as the basis of further investigation into the subject?—I think that I would suggest to the Committee, if I might be allowed to make a suggestion, this; assuming the Committee to feel the principle of the 38th section, for the reason you have suggested, or any other reason, should be continued and maintained, but that the clause is defective and should be made more per-

Mr. *Morris.*

21 June 1877.

Mr. *Alexander Brown*—continued.

fect, it seems to me that a general recommendation by the Committee would leave it to the Government by their responsible officers, subject to the proper control of Parliament, to frame the clause. If I were going to draw the clause myself I should employ some gentleman such as the Government employ for that work; I do not feel equal to it myself,

964. Do you think there is any practical advantage to be gained by putting forward a certain form of accounts for all companies trading under these Acts?—I do not see much advantage in that. That is a part of the business I should leave to the companies themselves. I do not object to that, subject to the suggestion I made that there should not be a hard and fast line; if a company chose to say, "We choose to conduct our business in some other way," we should not interfere with their doing so.

965. With reference to the balance-sheet, you would have it made public to the shareholders, I presume?—Certainly. I would not make it public altogether. If the principle is settled that the balance-sheet is to be a compulsory balance-sheet where parties do not contract themselves out of it, and if that balance-sheet is to be circulated, of course you must confine it to the shareholders; it would be fatal if you did not do that.

966. Would you not have the balance-sheet registered with the registrar of joint-stock companies?—No; if you did that, one half of the whole of the trading companies I know would practically endeavour to get out of the Act of Parliament as fast as they could.

967. Do you think that as to practical and honourable companies such a recommendation as that would be a wrong one to make; that to compel them to send their balance-sheets to the registrar of joint stock companies, would not that be a proper recommendation to make?—On the contrary, I think it would be an unjust thing to the companies. In many companies in which I have been concerned I have been asked that very question, not once, or a dozen times. I have half-a-dozen cases in my eyes now of companies which never could have been formed if I had not given them a positive assurance that there was no obligation to publish their profits and balance-sheets.

Mr. *Isaac.*

968. A question has been brought before us with regard to future companies; would you consider that the whole of the capital should be subscribed, and a portion of that capital paid up; would it be an advantage and a protection to the public to have that done before the company is registered?—You cannot have the capital subscribed before the company is registered; the registration of the company must precede the appeal to the public. The capital of the company is raised not by private negotiation; very few new companies would be formed if they had to raise the capital by private influence. I have done such things, but would not like to have to do it above once or twice in my lifetime.

969. Can you suggest any plan by which the public could be protected against the fraud of having companies brought out with enormous capital, a very small portion being paid up, and eventually the unpaid capital being obtained from the shareholders in liquidation?—I cannot. I think myself that any remedy of that kind would be quite analogous to what I mentioned before in railway companies, where they do profess to do it, but it never has served as a protection for the public.

Mr. *Isaac*—continued.

970. In your experience of winding-up companies, have you found any difficulty thrown in your way by the official liquidator?—It is very difficult to answer the question, "Is there any difficulty thrown in the way?" You may have passive difficulties, and you may have active difficulties thrown in your way. If you mean either, I say I have had difficulties.

971. You consider that at times in the liquidation of companies, you have found the liquidator delay the winding-up of the company?—Not exactly that; what I would say upon that is this, that the liquidator is in a position in which he has a very valuable office, and it is expecting almost more than you can from human nature to expect him to facilitate a proceeding which is to take it out of his hands. I have ruffled the temper of many of my friends whom I respect very much, by doing a thing of that kind. In that sense it has been a very disagreeable duty, to go to a man who has made, perhaps, 10,000 *l.* in one year, and who might go on doing so for 10 years, as in the case of the Agra and Masterman Bank, and press him to facilitate a proceeding to take it out of his hands.

972. Do you think it would be an advantage to have all that takes place at the meetings of the companies taken down by shorthand-writers, and verbatim reports sent to every shareholder?—That is done practically in most of the companies now. I would not make it compulsory; I can quite conceive cases in which it is very unwise to do it; but in most of the companies I am connected with it is done.

973. They send verbatim reports, do they?—Word for word; on this principle, that the absent shareholders shall know everything just as the present shareholders.

974. Do not you consider that it is the duty of the shareholder to attend the meeting?—How can a man attend a meeting who lives in the north of Scotland?

975. If he does not, should he not be bound to take the consequences?—So long as a company pays dividend, and everything goes on smoothly, one-twentieth of the shareholders do not attend meetings, and you cannot get them to do so. Directly you get into difficulties, the proportion increases; you get a fifth or a sixth; but by all the power in the world you could not generally get half.

976. With reference to balance-sheets, all the joint-stock companies under the Limited Liabilities Act, publish a balance-sheet half-yearly?—Yes.

977. Does their business suffer from the publication of those balance-sheets?—No; but I can tell you businesses in which it would be a great hardship on them; in which, if they had to publish their balance-sheets, they would simply invite competition, and disclose trade secrets, which would be most injurious to them.

978. On the other hand, there is no question that the non-publication of accounts leads to a great deal of fraud that is undiscovered?—I do not say that. I think that every company does publish

Mr. *Isaac*—continued.

publish its accounts, except in exceptional cases. In 99 cases out of 100, no company could carry on its business unless they did, but I would not legislate for that, because in the 100th case it would be a cruel thing.

Mr. *Ashbury.*

979. Assuming a limited liability company to be perfectly solvent, and a section of the shareholders to be desirous of winding it up, under what circumstances can the shareholders wind-up the company?—A shareholder cannot wind-up a company that is perfectly solvent; the shareholders cannot wind-up a company at all.

980. I have a company in my mind at this moment to which I specially refer; we will assume the case of a company perfectly solvent, but paying no dividends, shareholders as you know get impatient, and a section of them say, "We have waited so many years without a dividend, we will wind it up;" can they do so?—They can call a meeting of shareholders, and if three-fourths pass the first resolution, and the majority confirm it, then they can wind-up voluntarily.

981. Irrespective of creditors?—Yes.

982. Now in connection with the compulsory winding-up, I think I understood you to say that the first petitioner practically has the appointment of the liquidator?—Yes, that is the general practice now of the court.

983. Assuming that in that case the largest shareholders of the company were dissatisfied rightly or wrongly with that liquidation, and desired one of their own body appointed, would the court set aside that liquidator at the request of the largest shareholders?—I have done it

984. In connection with the Agra Bank, and the Bank of London, which I think you were connected with when these cases were taken out of the hands of the liquidator, was there any committee of shareholders, or creditors, or both, appointed to manage the winding-up?—In the case of the Agra and Masterman Bank the affairs were handed over bodily to a new board; in the case of the Bank of London we appointed a committee to manage the affairs outside the court, leaving the compulsory liquidator, as a matter of form, remaining, because, for technical reasons, it was difficult to supersede him, but practically he was superseded, though not formally.

985. Now in connection with the winding-up of a company under any liquidator, do you think it would be advantageous to have a committee of shareholders and creditors to confer with, advise, and instruct the liquidator?—I think it would be very advisable, and one of my suggestions has been in that direction; and I would go even further than that; but if it has to be done under the present system, I do say, by all means have that Committee.

986. In connection with the 38th section of the Act of 1867, if the contracts are not to be set forth, or notice given where a schedule of them can be seen, how can outsiders possibly know what engagements they enter into when subscribing for their shares; that is to say, on the formation of the company?—If there is any fraudulent suppression the Courts of Equity will relieve against it.

987. I do not speak as regards fraud, but for the protection of outsiders, that they may know what engagements they enter into?—That is a large question on which I have several times given my opinion as nearly as I could.

Mr. *Ashbury*—continued.

988. In connection with the return of capital, or wiping off bad debts where the rights of third persons are not affected, you propose that a vote of the shareholders, subject to the usual notices, should be allowed to be binding?—With the sanction of the court. I would get the sanction of the court, so as to avoid its being made the subject of abuse.

989. In a case of that sort, subject to the sanction of the court, by what majority of the shareholders would you consider it advisable that it should be binding?—Three-fourths at one meeting, and the majority at the second.

990. Do you approve of a company being formed, with a large uncalled capital beyond what is actually required to purchase the business and to work it?—No, I do not, as a matter of policy.

991. Would in not be great precaution for the general public, if a good portion of the share capital were paid up on application for shares?—It is very difficult to form an opinion on that. I should say it would be very desirable if you could do it, but it would reduce companies to a very limited number; it would limit their number very much. I have no doubt the formation of companies does encourage enterprise.

992. Have any of the companies which you have been connected with been in liquidation solely by the board of directors having inadvertently or otherwise done business *ultra vires*, the powers of the company?—No, I never had a case of that kind.

993. In connection with the balance-sheet question, do you consider it a safe policy in the general interest of the shareholders and the public that a majority of shareholders should have the power of withholding the balance-sheets?—Certainly, it is their own private affair, in the exceptional case I am speaking of. I say, as a matter of fact, without legislation, 99 companies out of 100 publish their balance-sheets; but in the 100th case, where it is not published, there is a reason for not publishing.

994. If I understood a portion of your remarks you rather objected to the issuing of the balance-sheet, I mean compulsorily?—Yes, I object to its being compulsory, because it is done in 99 cases out of 100. I do not object to its being obligatory, unless the parties interested choose to say, "Our case is exceptional, and we provide by our constitution that we shall not be required to do it."

995. As a matter of principle would it not be rather dangerous for a board of directors to have the power of withholding the balance-sheets from their own shareholders?—I do not quite understand what the "danger" is; to whom is it dangerous?

996. To the shareholders?—But I am assuming in the case I have put that they have simply said by their constitution, or by a special resolution amending it, "For special reasons affecting our company, and in our own interest, in self-defence, we decide not to come within it." Why should they not decide that?

997. If no balance-sheets are issued, how can outsiders possibly know the position of the company;

Mr. *Morris*.

21 June 1877.

Mr. *Ashbury*—continued.

pany; the general public, who might desire to buy shares?—My answer to that is very plain; if you mean by publication of the balance-sheet, filing it at some public office, where anyone can see it, I say the objections to that are absolutely fatal. I am certain that Parliament could never safely carry it to that extent. If it means that it should be circulated to the shareholders, how could the general public get any protection from that? This Bill of Mr. Chadwick's only goes to this, that the shareholders should be furnished with a balance-sheet. I say it would be an absolutely dangerous suggestion to carry it beyond that, and that is no protection to the public.

998. You think that the protection to be effective for the general public should be registered with the registrar of joint-stock companies?—It is obvious that it must be so.

Mr. *Ashbury*—continued.

999. In connection with the original memorandum of association of limited liability companies, a company can now extend their original powers for manufacturing or selling providing due notice is given to the shareholders, and the additional powers are duly registered and appended to the original memorandum in the possession of the registrar of joint-stock companies?—If that is so, that carries out what the honourable Member asked me just now, when I ventured to suggest that some such power as that was useful.

1000. I am under the impression myself, having been a director of some companies where such a case arose, that such a power does exist?—That may be so; I did not know it.

Monday, 25th June 1877.

MEMBERS PRESENT:

Mr. Ashbury,
Mr. Chadwick.
Mr. Orr Ewing.
Mr. Gregory.
Mr. Hopwood.
Mr. Hubbard.
Mr. Isaac.
Sir Henry Jackson.
Mr. Lowe.
Mr. Serjeant Sherlock.
Mr. Edward Stanhope.

THE RIGHT HON. ROBERT LOWE, IN THE CHAIR.

Mr. SAMUEL LOWELL PRICE, called in; and Examined.

Chairman.

1001. WHAT is your profession?—I am an Accountant.

1002. Have you been employed as liquidator in joint-stock companies?—Yes, I have, extensively.

1003. Will you have the kindness to tell us in the first place how you obtain the employment; who is it that appoints you?—Sometimes it is through knowing some of the directors of the company.

1004. Who is it that formally appoints you?—The Court in the case of compulsory liquidations, and the shareholders in the two kinds of voluntary liquidations, one purely voluntary, and the other voluntary, but under the supervision of the Court.

1005. Who appoints in the third case?—The members of the company, and I think that that appointment is not under the supervision of the Court; it might be brought by any dissatisfied person before the Court, but I think it is accepted generally.

1006. Is there a power to bring it before the Court?—Every creditor and shareholder has the power of going to the Court upon any occasion.

1007. That is in the case of supervision?—I think it extends even to a voluntary liquidation, if a creditor were disposed to take out a summons.

1008. And with whom is the arrangement made about the payment of the liquidator?—In the case of compulsory liquidation, there is a scale that has been fixed by the Court.

1009. What sort of a scale?—By time, and in proportion to the amount paid to unsecured creditors for dividend; that is a scale which ranges thus: it begins with the cases where the assets divisible amongst unsecured creditors shall not amount to 500 *l.*; the scale for that is 1 *l.* per day of eight hours; and it goes up increasing until in cases where half a million and over is distributed amongst unsecured creditors, the rate of remuneration is 12 *l.* per day of eight hours; I have the scale here if the Committee would desire to know it more in detail.

1010. You are paid by the day, I understand you?—Yes, by a day of eight hours.

Chairman—continued.

1011. But the amount that you are paid depends upon the amount realised?—No, upon the amount paid to unsecured creditors; that is to say, there would be nothing paid in respect of sums paid to debenture holders, or other creditors who have a prior right of payment.

Sir *Henry Jackson.*

1012. You mean secured debenture holders?—Secured debenture holders.

Chairman.

1013. And that is the scale adopted by the Court?—That is the scale that has been adopted by the Court.

1014. Will you read it?—The heading is: "Regulation as to the mode of remunerating official liquidators adopted by the Master of the Rolls and the Vice-chancellors, and sanctioned and approved by the Lord Chancellor."

Mr. Serjeant *Sherlock.*

1015. Can you give the date?—No; but this has been in force for several years. Then it goes on: "Every application by an official liquidator for remuneration must be supported by an affidavit showing the number of hours devoted by him and his clerks respectively to the business of the liquidation. In fixing the amount of the remuneration the judge will, subject as hereinafter mentioned, be guided by the following scale." Then comes the heading "Liquidators;" then the list is divided into what are called groups; Group A, Group B, and Group C. "Group A, Class 1, where the assets divisible among the unsecured creditors shall not amount to 500 *l.*, 1 *l.* per day of eight hours; Class 2, where they shall amount to 500 *l.*, and not to 2,000 *l.*, 2 *l.* per day" (each day is to be of eight hours); the third class in that group is where the assets divisible shall amount to 2,000 *l.* and not to 5,000 *l.*, and there the rate is 3 *l.* per day. Then we come to Group B; where they shall amount to 5,000 *l.* and not to 10,000 *l.*, the rate is 4 *l.* per day; where they amount to 10,000 *l.* and not to 50,000 *l.*, 6 *l.* per day. Then we come to Group C; where they amount to 50,000 *l.* and not to 100,000 *l.*, the rate is 8 *l.* per

Mr. *Price.*
25 June 1877.

Mr. *Price.*

25 June 1877.

Mr. Serjeant *Sherlock*—continued.

per day; where they amount to 100,000 *l.* and not to 500,000 *l.*, it is 10 *l.* per day; and where they exceed 500,000 *l.*, then it is 12 *l.* per day. Then the liquidators' clerks are arranged in similar groups, and they are sub-divided into three classes, first, second, and third class. In Group A, for the time of what is called a first-class clerk, the liquidators may charge at the rate of 2 *s.* per hour; for second-class clerks, 1 *s.* 6 *d.* per hour; for third-class clerks, 1 *s.* per hour.

Chairman.

1016. In addition to the charge for his own personal attention?—Yes. Then, in Group B, for a first-class clerk, he may charge 3 *s.* per hour; for a second-class clerk, 2 *s.* 6 *d.* per hour; for a third-class clerk, 1 *s.* per hour. Then, in Group C, the liquidator may charge for a first-class clerk, 3 *s.* 6 *d.* per hour; for a second-class clerk, 2 *s.* 6 *d.* per hour; and for a third-class clerk, 1 *s.* per hour. Then the regulation goes on to say: "If in the special circumstances of any liquidation, it shall at any time, or from time to time, appear to the judge that it is proper to place it on a higher or lower class, he will so place it accordingly. If it shall appear to the judge that, in the special circumstances of any liquidation, it is proper to add to, or deduct from, the amount of remuneration provided by this scale, he will make such additional deduction accordingly. If, during the progress of a liquidation, it should appear to the judge expedient so to do, he will sanction payments to the liquidator on account of his remuneration. For this purpose, the judge will estimate the amount of such remuneration as well as circumstances will admit; and will pay to the liquidator either the whole of such estimated remuneration, or such part thereof, as to the judge shall seem reasonable." There are some calculations upon this copy of the scale which we have had made, in order to see what amount could possibly be earned by a liquidator under those various classes of cases, and so on; and we find, by an examination of our books and accounts, that what is called a year really produces to us is only worth, at the outside, 260 days, which is a somewhat important consideration in thinking how much a person may charge, either for himself or his clerks, in the course of a year. (*The Witness handed in the Regulation,* vide *Appendix.*)

1017. Do you consider that a good plan of remuneration?—In some cases I do; in other cases it is most unsatisfactory. The same remark, I venture to think, applies to payment by commission; I should desire very much that the Court in the case of compulsory liquidation, or a committee of shareholders or creditors in the case of voluntary liquidations should fix, at the beginning of the liquidation, upon which principle the liquidator shall be paid.

1018. Will you tell me in what cases you think it satisfactory, and in what cases unsatisfactory?—I think it is a satisfactory mode of payment in those cases where the assets bear certain proportion to the liabilities of the company.

1019. Do you mean a considerable proportion?—Say 25 per cent., or more.

1020. A considerable proportion, in fact?—Yes. In some cases, of course, the assets are so very large that you could hardly make the commission

Chairman—continued.

low enough to make the payment to the official liquidator reasonable; and in other cases they are so exceedingly small that you could not make the rate of commission so high as would give him a fair remuneration for his work. I have a case in my office now where the liabilities are nearly 400,000 *l.*, certainly one of the most complicated and difficult cases I have ever had to deal with; and the gross amount of assets realised under that liquidation is less than 2,000 *l.*

1021. And what share of that do you suppose will, under this scale, fall to your lot?—I can tell you exactly what it will be made out on the scale; after waiting for, I think, more than six years for payment of one penny, I think my remuneration came to 400 *l.* I do not say that I was at work the whole time. I paid a dividend in that case of one penny and three twenty-fourths of a penny, something of that sort, and then, and not until then, was I paid. In another case that we had, where the assets actually distributed to creditors (indeed they were paid in full), amounted to more than a million and three-quarters. I can hardly name an amount of commission so small that it would have been small enough to represent a proper payment; and I should greatly desire to see some discretion given to some proper person to arrange with the liquidator, in the earliest stage of the liquidation, the mode in which his payment is to be arranged.

1022. Is not the system which you have described faulty in a very important respect; does it not make it the interest of the liquidators to spin out matters?—No, for this reason, there is only a certain amount of business to be done in any given liquidation, and the sooner the liquidator gets through that certain amount of business the sooner he gets paid.

1023. But the longer he is over it the more he is paid?—No, forgive me, that is not so at all; there is only a certain amount of work; supposing the work is represented by 20 days' work, if he takes 40 days to do it, he is still only paid for 20 days.

1024. How is that?—Because he is only paid by so much an hour.

1025. But who says how much he does in the hour; that is at his own discretion, is it not?—No, it is not, I am thankful to say. The way in which our accounts are kept is this: both the principals and each clerk in our office have a diary into which, from day to day, are entered memoranda of the various matters on which we and they have been employed, and the time occupied upon each; so that a liquidator, so far from having any interest in keeping a thing dragging about, has an interest in getting it done as quickly as may be. There is a certain amount of business to be done, and the sooner he gets through it the sooner he is paid.

1026. And also the less he gets as I understand?—No, there is the same amount of work to be done in any case.

1027. I thought it was done on the principle of paying him by the day?—No, merely by the hour.

1028. But hours make days?—Yes, a number of them; but if I work eight hours in one day, or one hour a day for eight days, I only get exactly the same amount.

1029. But if you do in one hour what you could have done in half an hour, you get paid double,

Chairman—continued.

double, do not you?—You would; but I think that is simple dishonesty.

1030. That is practicable; it is open to that objection, I mean?—It is quite as open for liquidators and their clerks to be dishonest as for anybody else; but we have to make an affidavit, not merely that so much time has been employed, but that it has been necessarily employed.

1031. Do you think that is a great protection?—I do, a very great protection.

1032. Then your suggestion, with regard to this, would be that there should be somebody having power to do what?—Either a chief clerk, in the case of a compulsory liquidation, or the members of a committee (which I should very much desire to see always adopted) in the case of a voluntary liquidation, whether under supervision or not, should settle whether the mode of payment is to be by time or by commission.

1033. And when are you paid?—In some cases, as in one of the instances I recently mentioned to you, we do not get paid for years; the earliest date, I should think, on the average, at which we get paid under compulsory liquidations, would be at the end of say the first six months.

1034. You are paid nothing, I presume, till you have got the money in?—Nothing.

1035. If you collect nothing you get nothing, in fact?—Quite so; and in some chambers it is the practice to retain out of the amount that is admittedly due to the liquidator, when his account has been passed, a certain proportion, it is one-fifth, of his entire charges, so that the total retained is not to exceed 1,000 *l.*

1036. When do they begin to pay you; they do not wait till you have done all the work before they begin to pay you?—No. In a liquidation in which there are assets, more or less, coming in, a liquidator may take in his claim for remuneration once in six months.

1037. And is he paying out in the meanwhile to other persons?—He is paying his clerks.

1038. But does he pay anything to the creditors?—He may or he may not in the meantime; if a dividend could be declared in less than six months, I daresay the chief clerk would allow him to bring in his claim for remuneration, and he would be paid something on account at the time the dividend was declared.

1039. There is no ratio between the quantity which the liquidator realises and what he is paid?—Except in the scale I have read to you, where the rate at which the liquidator is paid depends upon the amount distributed to unsecured creditors.

1040. Is there anything else that you would like to state to the Committee with regard to your business?—I should desire to say that of the various modes of liquidation I believe by far the most advantageous is that of winding up under supervision. I should like to see added to that system the appointment of two or three gentlemen, who would be representative persons, as a sort of consultative committee with the liquidator, and into whose names, with his own, the funds coming into his hands might, I think, with great advantage be paid to the bank. In some cases it is quite necessary that there should be compulsory liquidation; I should be very sorry indeed to see that abolished; but, as a general rule, I think that compulsory liquidation occupies certainly one-third more time, and involves one-third more expense than a liquidation under the supervision of the court. In the latter case you go to the court when you require its assistance or interference; and in the former case, that of the compulsory liquidation, you are obliged to go to the court upon the very smallest, I had almost said the meanest, trifles; if you want a cheque for 5 *l.* signed, you have to draw your cheque, and get an appointment with the chief clerk, and go to get this cheque signed. But a compulsory liquidation seems to me to be far better than a purely voluntary one; there are several things which I think in every liquidation should be done under the supervision of the court.

1041. Do you not call that compulsory?—They are done under compulsory liquidations now.

1042. I thought you did not approve of compulsory liquidation?—As a general rule, I do not, but there are some parts of liquidation which I think it would be desirable to have under the supervision of the court in all cases. The first is the settlement of the list of contributories; there are a great number of exceedingly nice questions that arise, and which I think may, with great advantage be heard and settled before the chief clerk; I think it frequently saves further and expensive litigation in settling whether a gentleman is to go on the list or not. Then the second matter is, compromises with contributories; that is an exceedingly difficult and delicate matter for the liquidator to have, and it would be a great satisfaction to him, as we are obliged to do when we go to the chief clerk, for the contributory to furnish evidence as to his means, and the liquidator is thereby relieved from a great deal of anxiety and much difficulty in making up his own mind sometimes as to how much it is right for such a person to pay. Then the third instance in which the court might usefully intervene in every case, is where claims are disputed. I think if a creditor who was disposed to urge a claim which the liquidator resisted, heard the opinion of the chief clerk, it would very likely lead to an adjustment of that amount without expense and without delay. Then the last case is the benefit we have of obtaining from the court a certificate of debts, that is to say, unless creditors come in by a particular day which is named by an advertisement, then they are barred; without that protection, I do not think that a voluntary liquidator is protected from the claim of a creditor who, after he has divided the last penny of assets of the estate, says, "I am a creditor for 500 *l.*; be kind enough to pay me my dividend."

1043. Is there no protection against that in the Act at present?—I do not think there is. Then another point is the 21 days' notice of demand; at present a creditor may give a company 21 days' notice, and if within the 21 days that debt is not paid, or satisfied, that creditor without more ado, may file a petition for winding up the company. No doubt in some very few instances that proceeding is somewhat oppressive, and has been used, I have no doubt, for the purpose of compelling a settlement, probably of a somewhat disputed claim. I do not agree with some evidence which I heard given to you, that it would be desirable that every creditor should obtain a judgment before he had a right of filing a petition; because a company which was disposed so to do, might keep that creditor at arm's length not only for weeks, but

Mr. *Price.*

25 June 1877.

Chairman—continued.

for months; I think, that if when that demand was served, the creditor was obliged to serve with it an office copy of an affidavit which he made in support of his claim, and if the company were allowed to answer that affidavit or to cross-examine the creditor upon the affidavit that he has made, upon a summons before the chief clerk, then justice would be done both to the company and to the creditor. The first step of a compulsory winding-up is frequently that of appointing a provisional liquidator; I have heard it recommended to the Committee that in that case it should always be an officer of the company. Now at the present moment the law allows the appointment of an officer of the company, but it seems to me exceedingly undesirable that such an appointment should be limited to an officer of the company, and for this reason, in the case of an insolvent company the conduct of the directors is very frequently challenged, either upon the ground of want of wisdom, or upon some more serious grounds; the directors may have been guided and assisted in this course of conduct which has resulted disastrously for the creditors by, say, the secretary, they very likely would be; and it seems to me an unreasonable thing that it should be laid down that the secretary or manager, or other officer of the company, who may more or less have contributed to the disaster which has befallen the undertaking, should be appointed as of necessity a provisional liquidator.

Sir *Henry Jackson.*

1044. You do not wish us to understand that nobody but a director can be appointed a provisional liquidator?—I understood the witness on the last occasion to suggest and to press very strongly the appointment of some officers of the company. During the first two or three weeks of the long vacation there are generally a number of cases in which petitions for winding-up companies are presented, and a provisional liquidator is appointed; if a provisional liquidator were of necessity to be one of the officers of the company, it would continue the control of the affairs of that company in the hands of the persons whose possible mismanagement may have brought about the downfall of the company, and keep for some two or three months in their hands the control of its affairs. If there were any legislation about it, I think it should be enacted that in such a case as that no officer of the company should be appointed a provisional liquidator. Then as to the appointment of the official liquidator, the present way in which official liquidators are appointed is no doubt exceedingly unsatisfactory, it is unsatisfactory, I believe, to everybody, even including the liquidators themselves; but to suggest a remedy is a very difficult matter, and after thinking as much about it as I am able, I am inclined to think it best to leave the plan as it now is, with this alteration, that there should be more extended notice, either by advertisements, or better still, by personal notice to the persons immediately interested in the liquidation, that is to say the creditors in the case of an insolvent company, and members in the case of a solvent company. I think on the whole the present plan, with such increased opportunities given to the persons interested to appear and take a part in the appointment, seems to me to be as good a one as any that can be devised.

Chairman.

1045. How would it answer to have the liquidators official persons, a class appointed for the purpose, paid by salary?—I think the work is so very much more than any one who is not behind the scenes can imagine, that it would be impossible to have any officers, official persons, to manage the winding-up of these estates. I do not hesitate to say that if such an office were established, merely to do the work which is now done in London, the staff of clerks which would be necessary in that office would certainly not be less than 200, and it would not surprise me if they were necessarily 300 or 400.

1046. That is to say there are so many employed; there are that number employed already, are there?—I should think quite that.

1047. And those are paid out of the estate?—No, they are paid by the liquidator.

1048. And you are paid for them out of the estate?—We get paid for them upon the scale that I have read to the Committee.

1049. If they were paid out of the assets of the estate of the company, what harm would be done; how would the public suffer; there is, practically, the same expense now, is there not?—I do not quite understand the question.

1050. You say, at present this is worked by gentlemen like yourself, who are appointed, and who keep clerks for the purpose?—Yes.

1051. Supposing, instead of being appointed for each particular case, you or other persons were appointed permanently to that position, and you and your clerks were paid by the public, what would be the loss to the public, supposing it was paid still out of the estate?—I do not think there would be any great loss to the public, but you would be obliged to have such a number of persons appointed, and the salaries of those persons who were to be entrusted with such important business as that would be so very large, that I doubt if in the end there would be one penny of saving in the expense; and you would subtract from the management of this matter that personal interest and responsibility, for that is very great, which now attaches to official liquidators.

1052. What is the responsibility that attaches to an official liquidator?—The responsibility is first of all in a matter of money; he has very large sums of money indeed passing through his hands; and the responsibility of the arrangements he makes for the disposal of property, and the arrangements for the debtors, giving time to one and compromising with another, and the contracts he enters into are very great responsibilities indeed.

1053. How can he be made responsible for anything he does, unless he commits some offence?—He would be responsible if his clerk, whom he sends to the bank with 5,000 *l.*, walked off with it. Then besides that, I do not think you would get an official person to do what we are compelled very frequently to do, and that is to carry on a business sometimes for months, sometimes as I am doing myself for years; I have found on many occasions thousands of pounds towards carrying on a concern, in order to save it from immediate sale and ruin. You would not get any paid official to do that.

1054. Is that any part of the duty of an official liquidator?—It is not necessarily part of the duty of a liquidator.

1055. To find money, do you mean?—It is no part

Chairman—continued.

part of his duty, but he is constantly asked to do it; and I am at this moment carrying on some ironworks in Staffordshire, and have been doing so for a considerable time with my own money.

1056. But that is outside the Act?—The case is this, that if I or somebody else had not agreed to advance that money those works would have been stopped, and the value of those works would be reduced 50 per cent.

Mr. *Orr Ewing.*

1057. Did you do this of your own accord?—Yes; that is to say, I was asked to do it by the parties who were interested, by the directors and their creditors.

Chairman.

1058. Is there anything else that you have got to suggest to us?—I think that accounts of the receipts and payments under each liquidation, and a summary report, not going into very great detail, should be sent at an interval, certainly not exceeding one year, to the parties interested; to the creditors if it be a creditors' liquidation. Then, a great deal has been said about the money that liquidators have in their hands. I hardly know the meaning that has been attached to those words "in their hands;" if it mean that they mix up the moneys that come into their hands as liquidators with their own moneys, then I think that the statement is utterly inaccurate. I believe it is an universal rule for liquidators, either to pay in the proceeds of each particular liquidation to a separate account, or they have an account quite distinct from their own, which I may call their personal account, to which all those funds are paid in; so that if the persons interested in every one of these matters came to them at any moment they might draw a cheque for the whole amount in their hands upon every estate in their office, and then this particular account would be balanced to a penny.

1059. That is your practice?—It is my own practice. I generally pay in to a separate account, but I pay almost everything to the Bank of England, and excepting in compulsory liquidations, the bank has a great objection to multiplication of accounts. I get them, in large matters, to allow me to add some initials representing the particular company, "M E," or "C J," account, and to those accounts these moneys are paid; and, I believe, it is not merely my practice but the practice of all respectable accountants.

1060. How do you know that?—I know it from my intercourse with them, and from the system upon which I know that business is generally conducted; I entertain no doubt of it whatever. I have made enquiries in our own office as to how much we had in all the estates which we have had in our own hands, and I found there was one case where we had been unable to divide the sum of 16 *l.* 13 *s.*; that is every penny that I have in hand at this moment belonging to estates; and the total unpaid dividends were 197 *l.* odd; and since 1866, including the "Albert" and the "European" liquidations, we have paid in dividends between 3,000,000 *l.* and 4,000,000 *l.*

1061. Is there anything else that you would like to mention to us?—I have heard it suggested that the Bankruptcy Court would be a desirable court to which to transfer the superintendence of winding-up. With reference to that, I venture to say that as at present constituted, there is really no judge who could possibly take the vast amount of work that comes before the Vice-Chancellors; that they are entirely without staff, either in numbers or in knowledge, who could carry through, with satisfaction to any class, the work that is now executed by (if I may use the expression) that most valuable body of public servants, the chief clerks of the Master of the Rolls and the Vice-Chancellors; that the Judges now in the Bankruptcy Court are registrars, and that it is no uncommon thing in private liquidations for Mr. Registrar A to decide in one way, and then there is an appeal to Mr. Registrar B, and very frequently Mr. Registrar B overrules the decision of his brother registrar. If you were to go to the Court of Bankruptcy with the important business comprehended under the general term winding-up, the decisions of the learned registrars would, I believe, pass for little, and in 80 cases out of every 100 there would be an appeal to Lincoln's Inn, so that you would have two hearings instead of one.

1062. Is there anything more which you have to suggest?—There have been very great complaints, and one witness who was called before you, Mr. Newmarch, said a gread deal not only about the millions of money that were in the hands of liquidators, but he spoke of the delays. He said that the liquidator was a person who directly he had the books and papers of the company "vanished into space"; that you could not "unearth him." I have certainly never vanished into space myself, nor have I ever known any friend who did, or whom it was at all desirable to unearth. I believe that the principal reasons of the delay, of the necessary time rather (for I do not admit that the word delay is a proper word to use) occupied in completing a liquidation are these: In the first place, you may have property which is not realisable except at such a dreadful loss that you shrink from accepting the offered amount. Only last week I signed 60 conveyances of property in Canada, which I had been trying, but hitherto unsucessfully, for four and a half years to sell. Now, this property constituted the whole of the property of that company. Though I have had that concern in my hands for now for nearly five years, there has not been one penny paid to creditors, nor has the liquidator received one penny on account of his five years' work. Another reason of delay is this, that contributors frequently leave England, sometimes to avoid payment, or to get time for themselves for payment of the demands made upon them in consequence of the liquidation; and it is sometimes not easy to find them, and, when found, not easy to recover the amounts from them. Others die, and then you have to wait for the administration of their estates. The affairs of others are in Chancery, and we all know that they sometimes take, by reason of appeals, and so on, a long time; their estates are not administered. Then one constant cause of delay is this: perhaps, amongst the shareholders of companies the largest class consists of those who have small regular incomes; they have been tempted to go into companies in the hope of increasing those already small incomes; if you made a call upon persons of that sort, even if they are able to pay, they say this, "My income is only 200 *l.* or 300 *l.* a year, and you asked me for 150 *l.* or 100 *l.*; will you take it by instal-

Mr. *Price.*

25 June 1877.

Chairman—continued.

ments of 5 *l.* or 10 *l.* a quarter?" and it is on uncommon thing for us to be asked to give one, two, or even three years for payment, either of the amount of calls, or of the compromises which it may seem reasonable to take; and the only alternative is to really destroy, or ruin those poor persons by forcing them into the Bankruptcy Court, or something of the kind, or else you must give them the indulgence in time for which they ask, and wait till they are able to pay it off; and in that way, however zealous a liquidator may be, whatever court the liquidation may be administered in, you cannot get over these difficulties; they are inherent in the very case itself, and you cannot hasten the final closing of liquidations, for those reasons. And then there is another occasion of delay in the final closing of a liquidation, which I think might most advantageously be altered, and that is this, in compulsory liquidations the court will not allow you to dissolve the company, unless the liquidator is able to make an affidavit that the affairs of a liquidation are fully wound-up. Now it constantly happens that there are some few things outstanding; they may be very small indeed, but in almost all cases there is something, a bankruptcy estate, or something or other, and you may have a small amount, of perhaps 5 *l.* to receive, at the end of twelve months, and yet you are unable to get that company dissolved. I think that, if there were a provision that a company should be dissolved, either when evidence is given to the court that the affairs of the company are fully wound-up, or if some such words as these were added, "or whenever, and as soon as the court shall think it just and expedient that the company should be dissolved," you would have these liquidations closed very much earlier. I have now in my office several cases, in no one of which are there assets in the bank more than 20 *l.*, in which I cannot finally close the company's affairs, and get it dissolved, because I cannot make an affidavit that the affairs of those several companies are fully wound-up.

1063. Would you fix a pecuniary limit which might be considered so small as not to prevent the company being wound up?—I think it would be difficult to fix a pecuniary limit only; I think if it were left to the discretion of the court, that would meet the case.

Sir *Henry Jackson.*

1064. Has not the Court a discretion now?—I think not.

Chairman.

1065. Supposing that the Court was given that discretion, and then you got in some money afterwards, what is to become of that money?—You would have to pay it into Court, and it would go into the suitor's fund as in the case of unclaimed dividends. There is another matter which I should like to mention to the Committee, and that is about dividend notices. The Committee are told that the general practice is not to give notice of dividends to the creditors, and that unless the creditor was, I think the expression was, very much on the alert, or something of that kind, he would hear nothing about the matter until he received a circular from the liquidator saying that the assets were so much, and that the expenses of the liquidation were so much more. Now, as to the fact of the expenses being so much more, the general answer is that millions upon millions have been divided by liquidators in dividends within the last ten years, and so far from there being no dividend notice sent (I am speaking not only of my own office, but of what I know from my own knowledge of a great number of houses, and I believe the system to be absolutely universal amongst the smaller practitioners as well as the larger) the moment a dividend is declared, every creditor in the estate has notice of that dividend. I have not the slightest hesitation in saying that that practice is universal, and I wish with all my heart that that gentleman could be asked to give the Committee one single instance in support of many of the statements he made so broadly here.

Chairman—continued.

1066. Is there any other point which you wish to bring before us?—I do not think there is upon the general question.

1067. You pay this money into the bank when you receive it, and you can draw it out just as you please, is not that so?—Yes.

1068. Do you think that a right state of things, or ought there to be any check upon your drawing it out?—I think it would be much better to have a kind of check.

1069. What kind of check would you suggest?—Something analagous to the check which there is now in the cases of compulsory liquidation. In cases of compulsory liquidation the account is opened in the names of the chief clerk of the Vice-Chancellor, or of the master of the Rolls in whose court the liquidation is, and of the official liquidator; and the signatures of these two are necessary in order to draw out any money. In other liquidations, voluntary liquidations, unless there is a committee (and in my own personal experience I have had very few cases where I have had a committee), it is entirely in the hands of the liquidator. Now, I think, in every case there ought to be a committee of some kind, and that the banking account ought to be opened in the joint names of the liquidator and one or more of the committee.

1070. Has there been any instance, with your knowledge, of that trust having been abused?—I have been in practice 30 years, and the only two instances I have heard of or known, were two instances where the persons concerned had a very very small business indeed. I have never heard of an accountant of any position being a defaulter, or failing, or anything of the kind.

Mr. *Hubbard.*

1071. You spoke of the necessity which sometimes arises of your having to make advances of capital with reference to the estates which are under your management?—Yes.

1072. Are those advances made from your own personal capital, or from capital which comes into your possession from other estates which may be under your management also?—From our own personal money, of course.

1073. But you have more estates than one in your hands?—Yes.

1074. And you have, therefore, in some cases, perhaps, considerable surpluses of cash belonging to those estates?—Never mixed with our own moneys.

1075. Still you have under a separate account such surpluses?—Yes.

1076. And they are accounts upon which you can act under your sole signature?—Yes.

1077. When

Mr. *Hubbard*—continued.

1077. When you make those advances, you naturally expect that you are making them without any probability of loss?—Yes.

1078. But supposing a loss should occur, whom would the loss fall upon?—The liquidator. Of course I never would make an advance unless I felt perfectly sure that my money was ultimately safe; but it is no uncommon thing for us to be months, or even more than a year, in advance, and very considerably so, when it is of paramount importance to carry on a business, rather than stop works and ruin a large amount of machinery.

1079. But as these companies which come into your hands must more or less have been subject to a precarious existence, would it not appear that there must be some amount of risk, even in the process of carrying them on under your perhaps more prudent management?—No; because under a compulsory liquidation, it is very doubtful indeed whether the Court would authorise the liquidator to do what he sometimes does under a private liquidation; the Court would say, "We are not here to authorise you to make advances; if you choose to do that, it is entirely at your own risk."

1080. Do the companies which receive that assistance at your hands ever regain their solidity, and go on?—No, very rarely; but they do this, they wait till a better and something like a reasonable price can be obtained for their property. I wish the Committee to understand that these which I have mentioned are merely exceptional cases, and I only mentioned them in answer to the Chairman's question as to having a special staff of liquidators, and I say that they would not in any case make the advances which we somesometimes do.

1081. What claim do you imagine that you personally have upon the assets of those companies with reference to your own advances; you have a prior claim to all others?—Yes; the money would be coming to us, either liquidator or receiver, as the case might be, and directly it came we should apply it towards the payment of our advances.

1082. And in making those advances of course you charge interest?—Yes, if it were any length of time. If it were only a month, or a couple of months, we should not do anything of the kind; but where it was for a long time, we should charge 5 per cent., and I have never in any case charged more.

1083. You would not imagine that the risk, regarding the capital which you advanced on those occasions, is more than would be covered by the very moderate rate of interest of 5 per cent.; is that so?—I think the risk is far in excess of that. As a mere question of wisdom or folly, it is great folly to do it; but one has the satisfaction of seeing that you sometimes save a large sum for other persons, and therefore you do it.

Mr. *Ashbury*.

1084. Assuming that the rights of creditors were fully covered by the company's assets in liquidation, can any single shareholder apply to the Court to remove a liquidator and appoint a shareholder?—I have never heard of such an application, but I think it would be an exceedingly good thing if it were provided that so soon as the debts of any company are fully paid under a liquidation, then from that fact itself the liquidation should cease as against the shareholders, and they should have the right of taking their own property into their own hands and management.

Mr. *Ashbury*—continued.

1085. The liquidators are engaged in a large business as general accountants, and paid so much per day for liquidation, which is only part of their general business; in what manner do you book the liquidator's or clerk's time for portions of a day, seeing that frequently business crops up daily which might only require an hour or two's work?—Then you would only charge an hour or two.

1086. Would you send in your account for services rendered by you in a gross sum, or give an appendix showing how the sum is made up?—We give an appendix; the items are not exactly the same in each Vice-Chancellor's Office; but each requires not merely a general affidavit, but a schedule of time, and the dates and the hours per day.

1087. In some cases you render your account in gross, I suppose?—Never in liquidations. The amount is rendered in gross in an affidavit, but there is an exhibit which shows the dates of the various days, and the number of hours in each day employed by the liquidator and by each clerk; and if you have three clerks engaged upon the liquidation upon the same day, the time of each of those clerks would appear separately.

1088. Supposing a shareholder or official of the company comes to you to ask how the liquidation is progressing, how would you charge for such an interview?—It depends upon the time that it occupies. As a general rule, there is no charge made for less than nominally half-an-hour; it is so as far as my own practice is concerned; but if you saw one person, or two persons, or three persons within that time, half-an-hour would be the time charged.

1089. So that if a shareholder came in to ask a question involving the occupation of ten minutes of your time, you make no charge for that?—Yes, then half-an-hour would be charged; but if we saw three people within that time, then only half-an-hour would be charged also.

1090. In every liquidation you doubtless correspond with the shareholders and officials of the company, and creditors, or others; how are you remunerated for this?—By the time occupied in writing letters; as nearly as we can arrive at it, the exact time occupied upon whatever it may be is put down, just as a man may put down a pound of sugar or two pounds of tea to your account.

1091. In connection with the creditor giving a 21 days' notice to wind-up a company, would any judge give a winding-up order on the application of one creditor, if the chairman, managing director, or secretary made an affidavit as to the solvency of the company, after all admitted or even doubtful liabilities were paid?—That is a matter of law; if they are solvent, why do they not pay the creditor?

1092. It might be a matter of a disputed debt?—If it is a disputed thing, they might have a right to appear on the petition, and object on that ground. I should be very glad to see something intervening between the power of the creditor giving a 21 days' notice, and in three weeks' time putting a petition on the file which may ruin the company.

Mr. *Price*.

25 June 1877.

Mr. *Price.*

25 June 1877.

Mr. *Ashbury*—continued.

1093. Am I right in assuming that a creditor who has a disputed claim with a company may, by giving 21 days' notice, take that action against the company, though the company is perfectly sound and solvent?—Certainly; he may file a petition, and it would have to come on.

1094. Where the chairman, the managing director, or even an ordinary director, is one of the largest shareholders, with a large uncalled amount, would he not be a very suitable person to be sole liquidator, reporting from time to time to a committee of supervision?—I do not think he would, as a general rule; because, however carefully he may have desired to manage the affairs of the company, under his management it has not been a success; and as there are two classes in every liquidation, creditors on the one hand, and members or shareholders on the other, it seems to me that the satisfactory way is, that somebody who is alike independent of each class should be appointed liquidator: I do not say necessarily a professional man, but certainly some one independent both of shareholders and creditors.

1095. But, as a general rule, if the chairman or managing director of that particular company was under a large pecuniary liability at that moment, by virtue of unpaid shares, one who had been in the business all his life, would it not follow, as a matter of course, that he would, under ordinary circumstances, be the most competent person for the post?—I do not think so, because all his large interest and experience had not enabled him to conduct the affairs of that company with success.

1096. He may have been overruled by the majority of directors?—That is possible.

1097. In connection with the ironworks which you have referred to, supposing that in working the ironworks so referred to any loss had resulted, would it have fallen on the estate?—Yes.

1098. If you entered into the risk of carrying on the ironworks without authority, would it not be competent for any shareholder to sue you for a loss so sustained?—Not only do I not make advances without authority, but I only do it at the earnest request of the persons who are in control of the matter.

1099. Then in connection with those particular ironworks, you did it under certain authority?—At urgent request; one would never do it under any other circumstances.

1100. In connection with the closing of the liquidation, when the great bulk of the assets have been realised and distributed, how would it do for a committee of shareholders and creditors to decide as to whether the liquidation should continue?—I think the committee of supervision might very usefully report, jointly with the liquidator, to the Court, that the time had come when the company might be dissolved.

1101. In connection with the banking account, I think it is the general rule for liquidators to pay in the assets to their own credit?—No, not the general rule, certainly not; I know of no such practice. The Act says that under liquidations, and in liquidations of private estates in the Bankruptcy Court, if a liquidator keeps money in his own hands more than seven days (and I wish it were seven hours almost), he is chargeable with interest at the rate of 20 per cent.

Chairman.

1102. What do you mean by "keeping it in his hands?"—Mixing it with his own moneys; not paying it into some separate account.

Mr. *Ashbury.*

1103. Then, if money is not to be paid in to the credit of the liquidator, to what account is it paid?—To the credit of the company.

1104. Assuming that an amount more or less is paid in to the credit of the company, you can, if I understand right, draw it out as liquidator, subject to the consent of the chief clerk, I suppose?—No; not merely subject to the consent of the chief clerk, but subject to his signing the cheque with me.

1105. Supposing the clerk went to the bank with a cheque for 10,000 *l.*, and lost it on the way, or got robbed, who would be the sufferer?—His master.

Sir *Henry Jackson.*

1106. I apprehend, with regard to the question of the 21 days' notice, that that has been found principally oppressive as the foundation for a petition which is advertised?—Yes.

1107. And the gravamen of your complaint is the advertisement, the publicity of the assertion therein contained, that the company has been made the subject of a winding-up petition?—Yes.

1108. You probably are aware that there are many cases in which the Court, having been satisfied that the giving of 21 days' notice and the consequent petition have been used simply to drive a company into submitting to a disputed debt, the Court has treated the parties engaged in such a transaction with great severity?—Yes, but not before a great deal of mischief has arisen to the company by the advertising of the petition.

1109. You are aware that in what is called Mr. Cave's Act, the Insurance Companies Act, special provision is made by which no winding-up petition can be prosecuted till a *primâ facie* case of insolvency has been established?—I did not remember that.

1110. Taking it from me that that is so, and that while insurance companies are liable to be wound up, although there may be no debts presently payable, on the other hand no petition can be prosecuted until a *primâ facie* case of insolvency is established, I was going to put this to you; do you think that some provision corresponding to that, to the effect that no petition should be advertised until the judge had been satisfied that it was presented *bonâ fide* against a company which was unable to pay its debts, would be an advantage and meet the difficulty?—I think it would.

1111. May I ask you whether you have known cases in your own experience in which, whether for the purpose of getting the liquidation, or for the purpose of extorting money, petitions have been improperly presented?—No, I have had no case under my own personal knowledge, I have heard of it; but I have not had any case in my own knowledge.

1112. You will probably agree with me, that it is safer not to speak of what we have only heard of?—Yes.

1113. Speaking of the question generally, would you describe the present system of liquidating companies as working satisfactorily, or otherwise?

Sir *Henry Jackson*—continued.

otherwise?—I believe, speaking broadly, it does. I think in some points which I ventured to suggest, it is capable of improvement; but I really do not know how it can, on the whole, be improved. I think this should be borne in mind, that the winding up of any estate, having to do with a large number of persons who are going to receive less than the amount of the debts due to them, must of necessity always create a great deal of dissatisfaction in persons' minds; nobody likes to receive less than 20 *s.* in the £.

1114. And the only perfectly satisfactory Bankruptcy Law would be one that secured that result?—That is the only one that ever would be perfectly satisfactory.

1115. From the nature of the case, there must be disappointment?—That is inevitable in every case.

1116. Does not the winding up of companies take a longer time than of individual estates, simply because the companies have to deal with a large number of contributories, whereas a private individual estate only deals with two or three?—That is one principal reason.

1117. You have given us the terms of remuneration of liquidators; is there any difficulty experienced in practice in finding men of the highest position, such as your firm, to undertake liquidations on the terms set forth in those orders?—Not in the least. Persons even say that we make enormous fortunes on that scale.

1118. I ask you whether you have discovered any difficulty in getting respectable firms to undertake liquidations on those terms?—Not in the least.

1119. Is it not known to you that there is a very considerable race for liquidations occasionally?—I do not think that there is, amongst the leading firms of liquidators at all; and I know that some of them think that the present scale is inadequate payment.

1120. You yourself do not think so?—We have very few of the lowest, and still fewer of the highest, but I think, taking the scale broadly throughout the year, it is a reasonable amount of payment.

1121. Now, on this question of the appointment of official liquidators, can you suggest any better way in the long run than leaving it to the judge to decide?—No, I cannot.

1122. Does it not simply result generally in the judge selecting one of two men known to yourself and everybody to be equally competent?—Scarcely that. In one or two courts the custom is to give it, unless some good cause is shown to the contrary to the person who may be nominated by the parties; and in the others, I think it is, as a rule, given to the one who is supported by the largest number or amount of those interested. Personally, I wish it were more left to the discretion of the judge.

1123. In the cases where you say it is given to the nominee of the petitioner, is it within your experience that that nominee is generally anything but an accountant; is he not almost universally an accountant?—Very generally.

1124. Or where he is not an accountant, that an accountant is associated with him in the liquidation?—I do not know; I have not had a case of that kind, I think.

1125. As a general rule, accountants are appointed liquidators?—Yes, they are.

Sir *Henry Jackson*—continued.

1126. And no doubt by practical experience they become almost lawyers?—Yes, there is a great deal to learn in it.

1127. In regard to remuneration, you have no other suggestion to offer?—Not any other than I have already expressed. I think in some cases the present scale and the mode of charging by time, does not meet the case; that is why I think that a commission in many cases would be better; but I am quite sure it would be a fortunate thing for liquidators to be paid by a commission rather than by time. For, explain it how you may, people will rather pay you, I was going to say double as much in the shape of a commission upon the general amount, than they will pay you in the shape of a direct charge. I cannot explain it, but I know that it is the fact; I have seen it over and over again.

1128. In reference to the suggestion which has been made more than once, that liquidations should be conducted by official liquidators who should be not accountants chosen by the parties, but officers of the court, I presume you can conceive no other mode of remunerating them than by salary?—No, I cannot.

1129. And your theory would be that they would be salaried officers of courts of law?—Yes.

1130. And they would have to do not only legal work but mercantile work, business work, if I may call it so?—I do not think that they would have to do more legal work than liquidators now have to do.

1131. You do not suppose they would sell estates; you mentioned the case of this Canadian estate which you yourself had sold after four and a half years' delay; you have dealt with that as though you were what lawyers call a prudent owner?—Yes.

1132. You did not sell it at a breaking up price, but you kept it until you could sell it as a going concern?—Yes.

1133. How would an official liquidator, to be paid entirely by salary, as an officer of the court, deal with a case of that kind?—He would have to sell it at once.

1134. And supposing he could not sell it, can you imagine him carrying it on?—No, certainly not; he would sell it for whatever it would realise.

1135. And if it would realise nothing at first it would be all lost?—Yes, entirely. I have now and have had in my office for more than four years, the case of a company which had some large property in Norway; this company had made considerable losses, and was obliged to go into liquidation; I am the official liquidator of that company; I knew something of this property before the date of the liquidation, and I believed in it. That company lost a great many thousand pounds and it failed, owing 80,000 *l.* I said, "I believe that I can work this concern, and out of the profits of the concern pay the debts;" those debts are 80,000 *l.*; I have had it in my office between four and five years, and I have paid off either in paying off mortgages, or in the shape of dividends, to say nothing of the expenses of the liquidation, between 50,000 *l.* and 60,000 *l.*, by carrying on that business.

1136. What could you have sold the estate of that company for had you forced it into the market at the date of your appointment?—I do not

Mr. *Price.*

25 June 1877.

Sir *Henry Jackson*—continued.

not believe I could have got one-third of the amount that I have already paid; and I am very hopeful indeed in four years more of paying everybody 20 *s.* in the £.

1137. Do you think that such a result as that would be even possible, I do not say probable, under a system of official liquidators, salaried officers of the Court?—It would not be possible.

1138. Do you remember how the old official assignees under the old bankruptcy system used to act in reference to the sale of an estate; used they to personally intervene?—No; the official assignee used to collect the book debts, and to make the dividends; but the sale of property was left entirely in the hands of persons then called trade assignees.

1139. I understood you to say that you had not known any serious amount of defalcation amongst official liquidators under this Companies Act?—They have been of the most trifling kind.

1140. Can you say whether the old system of official liquidators receiving the money was any more safe to the public and the parties interested than the present one?—I do not think so.

1141. What is the practice of the Court with regard to requiring security from the official liquidator?—They require it in every instance, but not in voluntary liquidation.

1142. Where there is an official liquidation, in other words where the Court itself acts in the liquidation by the appointment of its own officer, there you say security is required?—Always.

1143. But that security cannot apply to the total amount of the assets received, can it?—No.

1444. I apprehend, then, that the amount of security is fixed in some sort of proportion to the amount of the balances which the official liquidator is deemed to be likely to have in his hands at any one time?—Yes, or rather the amount he is likely to receive at any one time.

1145. Am I not right in saying that you were one of the liquidators of the Albert Insurance Company?—Yes.

1146. And also of the European?—Yes.

1147. Was security required in the winding up of those companies?—Yes.

1148. Would you mind telling the Committee what amount of security was given by the official liquidator in each of those cases?—I think we gave security for 10,000 *l.* each.

1149. You were one of two joint liquidators?—Yes.

1150. Then 20,000 *l.* was given in security, as I understand you, in each of those cases?—Yes, I think so; I am not quite certain whether, in the case of the European, it was so much.

1151. Do you recollect at all what amount of assets passed through your hands in the case of those two companies?—We have paid in dividends in those two companies the sums in the former case upwards of half a million; and in the case of the latter, we have paid about 350,000 *l.*, and there is a further dividend at this moment being calculated.

1152. Can you tell me, without difficulty, what was the maximum amount of money of either of those companies which has been in the liquidators' hands at any one time?—It wants a little explanation; what may be called a general account in either case was opened in the names

Sir *Henry Jackson*—continued.

of the joint official liquidators and the arbitrator, but for the purposes of dividends, and so on, the arbitrator would sign a cheque for a large sum, and then we, the liquidators, would pay it into a separate account and sign the cheques ourselves upon that dividend account. The necessity for that will be almost obvious when I tell you that in the European alone I think my co-liquidator and I have signed upwards of 40,000 dividend cheques.

1153. I rather wanted you, if you could, to state what relation the 20,000 *l.*, for which security was given, bore to the maximum sum under the control of the official liquidators at any one time?—It is quite fractional; the security is such a very small part of the amount in our hands. I think there was a case in my office in which we received more than a million pounds where the security given was about 10,000 *l.*

1154. What was the kind of security in those two cases?—A bond of the Guarantee Society.

1155. Of course if you paid half a million in dividends you had received half a million, and no doubt 10,000 *l.* is a fractional amount of that; but did you ever have 100,000 *l.* at one and the same time under your control in that liquidation?—No, certainly not; not under my own control, because the estate account was kept, as I said, in the names of the liquidators, and the arbitrator whose signature was necessary to the cheques.

1156. In the case of your own firm and Mr. Turquand's, and others of the leading members of the profession, no doubt the Court is obliged to trust a great deal to your well-known character and integrity, and those are elements, no doubt, in the selection by the Court of the persons to whom the liquidation is entrusted, is not that so?—I suppose that is so.

1157. Now, with regard to the speed at which these matters would proceed if there were salaried officials entrusted with winding up, what would be your view as to the relative speed under the present system, and under such a system as is suggested?—So far as I am capable of forming an opinion, I think that an official would be destitute of just that spur which makes a liquidator work as hard as he can, and I have not the slightest doubt that the time would be very much increased, and that the amount recovered and divided would be very much less.

1158. And would he not be less accessible to the persons interested if he were sitting in an office with his time portioned out, than the official liquidator working in his own place is?—I think he would, because he would have his regular office hours, and I am sure he would not be at his office from nine o'clock in the morning to nine o'clock at night, as we sometimes have to work for weeks together.

1159. Does not the chief clerk, under the present system, bear some correspondence to the position which the official liquidator under the system suggested is supposed to occupy?—Yes.

1160. Take the case of compulsory winding up, in which every step is taken really by the Court; that is to say, no sale can take place, no payment can be made, unless under an Order of a Judge in Chambers, which is drawn up by the chief clerk; it could not be done except under summons?—There are some small matters which the chief clerks will let you mention to them without

Sir *Henry Jackson*—continued.

without a summons, but, as a rule, a summons is taken out.

1161. And it is the result of a proceeding in the matter?—It is the result of a proceeding in the matter.

1162. Now, would it be possible for any person, except the liquidator and his solicitor, to get at the chief clerk in the way in which a person would be able to get at the liquidator to consult him?—No, I think not, except by summons; anybody who wants to get before the chief clerk must take out a summons.

1163. Do liquidators in practice receive visits from shareholders and other persons interested, and see them in the way of business?—Every hour of the day; every quarter of an hour of each day constantly.

1164. The result seems to be, that under the present system, these liquidations are conducted much as any other matter of city business would be conducted, instead of merely as legal matters?—Yes.

1165. Can you suggest any other way that would be better?—No; and then the liquidator is immediately responsible to the persons in whose interests he acts; and to suppose that the creditors do not look after their interests is a great mistake.

1166. Now, upon this question of provisional liquidator, I understand you to think that the provisional liquidator should in no case be a person connected with the company?—No, I do not go as far as that; but what I object to is this, that no one else than an officer of the company, which I understood to be recommended to the Committee, should be a provisional liquidator. Now a director, or chairman, or secretary, or manager, may be.

1167. You are aware that the present practice is this: that the Court never appoints a provisional liquidator except in two cases, one the case of their being admitedly insolvent, and the other the case of the company assenting to the appointment?—That is so.

1168. The functions of a provisional liquidator cease on the appointment of the formal liquidator after the winding-up order?—Yes, but the provisional liquidator is in eight cases out of nine appointed official liquidator.

1169. Has he any other duty than to preserve the estate handed to him until what is to be done is determined?—No, except with the leave of the Court to attend to any urgent matter.

1170. Do you think any case is made out for changing the practice with regard to that appointment?—No, I do not.

1171. Now, several witnesses have spoken about the appointment of a committee of shareholders, and so forth; in the present Act of Parliament there is no provision made for giving any legal status to committees of shareholders or creditors?—No; there is for the appointment of a person called the creditor's representative.

1172. Do I understand you to suggest that it would be desirable in any amendment of the Act to create a legal body, or a body having legal functions, similiar to those of a committee of the creditors, under a liquidation or bankruptcy for the purpose of winding-up?—Yes, I do think it would be desirable.

1173. It would be a satisfaction to the liquidator to know that while the creditors were interested, he was acting in concert with the committee of creditors, and that when it became a shareholders' liquidation, similarly he was acting in concert with a committee of shareholders?—Yes, I think it would be a great relief to him.

1174. What power would you give such a committee; would you give them any control or would they be merely consultative?—Only consultative; I think the responsibility should be left with the liquidator.

1175. Would you give them a veto?—No, I would not; but they would have this power, that if after conference with the liquidator, the liquidator said, "I intend to do so and so," and they disapproved of it, it would be open to them to go to the Court and say, "The liquidator is going to do something which we think not right."

1176. Would you vest in those committees a power of fixing the liquidator's remuneration?—I think that unless the liquidator and the committee could agree, it is a matter that should be referred then to the chief clerk.

1177. I can well understand the committee being valuable, if you gave them certain legal functions, and gave them certain powers, such as this veto and the power of fixing the liquidator's remuneration; but if you call them in merely to consult, nothing would be gained by giving them a constitution under an Act of Parliament, would there?—I think that liquidators would rather hesitate before committing themselves absolutely to accept whatever this committee thought fit to approve; because they may be highly respectable, but not familiar with the charges that are allowed in a case of liquidation.

1178. I will put this case to you; imagine a liquidation which is likely to end in the return of the capital to the shareholders, and the shareholders' committee appointed arrange with Mr. A that they will give him 5,000 *l.* as a lump sum, and he thinks it not enough, and they go to Mr. B and say, "Will you do it for 5,000 *l.*?" and he is willing to do it, would you give that committee the power of changing the liquidator from the hands of him who would not do it for that sum to the hands of him who would?—I think that at the earliest stage of all, the way in which the liquidator should be remunerated should be settled by the committee, and the absolute appointment of the liquidator might be made dependent upon their agreeing.

1179. I understood you to say that all liquidations ought to be under the supervision of the Court; I want to see what you mean by that; would you compel a company perfectly solvent, but going into liquidation merely because it chose to go into liquidation, or for the purpose of reconstituting itself, to do that under the supervision of the Court?—No, I would not in such a case as that, where the liquidation was merely for the purpose of amalgamating with another company; but, for this reason, because in that liquidation there would not have to be done those things which, I think, ought to be done under the supervision of the Court.

1180. Then you would only require supervision orders to be made in cases in which conflicts were likely to arise?—Yes.

1181. Therefore so long as the winding-up is merely a matter of machinery, you see no reason why the voluntary winding-up should not continue as at present?—None.

Mr. *Price.*

25 June 1877.

Sir *Henry Jackson*—continued.

1182. You are aware that by the Companies Acts, no company consisting of more than seven persons can, by possibility, be wound-up otherwise than under the Act?—Yes.

1183. And, therefore, the winding-up now takes the place of the old dissolution scheme, which is now rendered impossible?—Yes.

1184. You see no reason why the present practice should not continue in that respect?—No.

1185. Do you do a considerable amount of auditing of the accounts of public companies?—Yes.

1186. Do you audit many companies established under these Acts?—Yes.

1187. What do you think has been the effect of the Act of Parliament enabling parties to incorporate themselves with limited liability, taken as a whole; has it worked in beneficially, or how would you describe its operation?—I think it has worked beneficially, for the principal causes of the failures of companies are due rather to want of management than because the concerns themselves have not been good concerns when taken over.

1188. I take it that the cases which come before the public, which get into the courts and into the papers, are the cases of failure?—Yes.

1189. Is there not a great number of cases which never come before the courts where the facilities afforded by the Act have been exceedingly beneficial?—Yes.

1190. Capital has been brought into industrial undertakings, and great public benefit has resulted?—Yes.

1191. As far as your experience enables you to judge, would you fetter, or leave as it is, or even enlarge the powers conferred upon the public by this Act of Parliament?—I should be more disposed to enlarge them than to restrict them, on the principle that I like persons to manage their own affairs in their own way.

1192. Does your experience suggest to you any objection in principle to allow parties to combine together and carry on a particular trade with their liability limited to the amount they choose to put into the undertaking?—I see no objection, but everything in its favour. The great defect of companies seems to me to be this, that the system of audit wants revising and altering. That, in my opinion, is the true security, both for creditors and shareholders.

1193. That consideration brings me to this question: Do you think that the power of carrying on these joint-stock companies should be subjected to the condition that these accounts are to be made public, or would you be disposed still to allow them to do what they can do now, keep their own affairs known only to themselves, except so far as the amount of their debentures and mortgages are required to be published?—I think there ought to be a place where persons may attend and find out what the position of a company is. In the case of a private firm, before credit is given, the proposed creditor may say, "Will you give me such and such information as to your position?" But in joint-stock companies which have the privilege of their capital being limited to a given amount, I think they are bound to afford to the public and to the persons from whom they may desire to get goods, or whatever it may be, the means of knowing authoritatively what their position is.

1194. You are aware now, of course, that a company, while it must tell its shareholders its position with more or less minuteness, need not tell the public anything but the number of shares taken and the amount paid up, and the amount of its debentures or mortgages?—Yes.

1195. You are aware that it is proposed, not exactly by the Bill on the table of the House, but by a great many people who have considered the subject, that the companies for the future should be bound to deposit at some public office. not only that information, but further information in the shape of a particular statement of accounts, and so forth?—Yes.

1196. You probably are aware that many companies, banking companies especially, consider that that obligation would be a very great hardship upon them; while they do not object to give certain information they think that to subject them to the giving of further information would be a hardship?—I think in the case of bankers they would have good ground for objecting; but I think the accounts of bankers are somewhat different from those of ordinary trading companies.

1197. Take a foundry company?—If a number of persons wish to carry on a foundry business, and gain profit by it, with the certainty that in no event can they, the proprietors, lose more than a definite amount of money, whereas their creditors may lose an indefinite amount of money in the event of their non-success, I see no hardship in that company having to file at some appointed office each half year an account fully disclosing their position.

1198. You do not think that they would have reasonable ground to complain of Parliament putting that additional requirement on them?—Not at all. In the case of banking companies, they have now to publish a balance-sheet and a profit and loss account. They do this; they do not tell you in detail; they tell you that their expenses are say 50,000 *l.*, generally for directors' remuneration, rents, and so on; they do not give you details, but they give you the general broad results of their business. Now it is a mere question of how much detail is given.

1199. I presume you would think that the principle of giving this information is settled by the Act of Parliament; you think that the balance-sheets should be deposited?—Yes, I think so.

1200. And that based upon the consideration you have named?—Yes.

1201. You are aware, of course, of the difference between the mode of distributing assets in Chancery and the mode of distributing assets in Bankruptcy?—Yes.

1202. You are aware that by the Judicature Act of 1875, the practice in Chancery was assimilated to that in Bankruptcy, in a great many particulars?—I am.

1203. Do you think it would be desirable to make the Bankruptcy practice attach to Chancery liquidations, in all cases where it does not now, or would you be satisfied with the present law on that point?—Do you mean as to the creditor giving a guarantee for the value of the security he holds?

1204. That is one point; there are other points on which the two systems differ?—Yes.

1205. Would it not be desirable to enact, that wherever the liquidation was a creditor's liquidation,

Sir *Henry Jackson*—continued.

dation, that is to say, where the conflicts were likely to be as between the creditors and the company, not between the members of the company themselves, the rules in Bankruptcy should apply out-and-out; there are many things like deferred payments, and so on, and salaries, and rents, where the practice differs; notably, the landlord's power of distress in Bankruptcy is confined to a year, and in Chancery it is taken away; would it not be better that a uniform system should be established?—I think, of those two cases, in the case of rent, and in the case of salaries, it would be desirable to have the practice in Chancery assimilated to that in Bankruptcy.

1206. You would pretty nearly make the practice identical in all cases?—Yes.

1207. What would you say upon this: supposing it were provided that whenever an unpaid creditor obtained a winding-up order, the liquidation should be what we call compulsory, and thereupon the Bankruptcy principle should apply; but that whenever a shareholder obtained a liquidation order, either on his own petition or on a shareholder's petition, or whenever *primâ facie* the company was solvent, a supervision order should issue; and that in the one case the Bankruptcy rules should apply, and in the other the Chancery rules should apply?—I do not think that would be desirable at all, in the interest of the creditors. In the case of a creditor's liquidation, I think it is to his interest that it should not be a compulsory liquidation, except in very exceptional cases. I think his true interest is to have a voluntary liquidation under the supervision of the Court, and for the reason that I mentioned early in my evidence, namely, that I think the time occupied in those liquidations, and the cost of them, is very considerably less than under official liquidation.

1208. Agreeing with you there, I will ask you, do you see any reason why, understanding that the liquidator appointed by the parties is to control the matter in all conflicts between creditors *inter se*, all questions of security, which really are conflicts between the creditors *inter se*, the law of bankruptcy should not apply; do you not think it would simplify matters?—The only points present to my mind are the three about valuation of securities, and salaries, and rents; in those cases I think it would be desirable.

1209. You know at present there is great conflict of law, and very great confusion; what I want to get from you is simply this: whether, until 20 *s.* in the pound is paid, it would not be better that the rights of creditors should be determined in all cases by the bankruptcy law?—Yes, I think so,

Mr. *Hopwood*.

1210. You were asked whether there should be, or you suggested that there should be, a consultation committee; is there not something analogous to that at present in the Companies Act?—No, there is not; there is in the Bankruptcy Act, applying to arrangements.

1211. What I refer to is Section 91; that section suggests that the Court shall, in all matters relating to winding-up, "have regard to the wishes of the creditors or contributories," and then it goes on to provide that it "may, if it thinks it expedient, direct meetings of the creditors or contributories"?—That is to say, if there were a scheme, for instance, of reconstruction,

Mr. *Hopwood*—continued.

you can call a meeting, or, if you have the means of satisfying the Court that the majority of shareholders wish such-and-such a course taken, the Court have the means of ordering it.

1212. Is that done?—Yes, constantly.

1213. That power is, as far as it may be beneficially used, used to a full extent?—Yes, very frequently.

1214. And what you desire is a permanent committee, as long as may be necessary, for the purpose suggested?—Yes; but I should not propose to give the committee, for instance, the determining of all the matters upon which now the Court requires a meeting to be called; it would be rather to superintend, and to consult with the liquidator upon what may be called the ordinary business and progress of the liquidation. Any special matter should be referred to the persons chiefly concerned.

Mr. *Orr Ewing*.

1215. We have been informed that large amounts of money are in the hands of liquidators; do you agree with that?—If it be meant, as I have already explained, large sums of money mixed up with their own moneys, then, I believe, there is no foundation whatever for that statement.

1216. You make a distinction?—I do.

1217. You mean to say that you have no money, at least a very small sum, you stated, in your own hands; it is lodged in the bank on behalf of each estate in the winding-up?—It is; of course I could draw a cheque for it.

1218. You said that that is the invariable practice?—I am quite sure it is the general practice.

1219. Mr. Turquand, when before us in answer to a question from me (Question 577, at page 19), said, "We have a special business account, into which all moneys under our control are paid, which is quite apart from our own private account"?—Yes.

1220. But you have more than one account; according to your system every estate has an account?—Yes.

1221. And you mark them with initials?—Yes.

1222. You do not put in the name of the estate that you have the control of?—No; the bank will not do that, except in cases of compulsory liquidation.

1223. But I presume that you have the same control over each of these accounts, or the money deposited in each of these accounts, as you have over your own private account?—Yes.

1224. Wherein is the difference then?—Here, that you keep it entirely distinct from your own money, and in case of anyone coming in and saying, "How much money have you in this matter?" you would say, "I have so many hundreds or thousands of pounds; would you like to look at the banking accounts?"

1225. But your books would show that, without looking at the banking account?—A separate banking account is more satisfactory, because my books may not be posted up, and may be in arrears; I should be very sorry from my own books to have to say at a moment's notice what the amount is.

1226. At the same time the money is as much in your own hands as if it was lodged in your private account, I mean as much under your control?—It is under one's control, of course.

Mr. *Price.*

25 June 1877.

Mr. *Orr Ewing*—continued.

1227. Putting it in under your distinction of being lodged in separate accounts, is the amount very large in the hands of liquidators of unpaid dividends?—If you mean the balances of estates, I should think the amount would be large.

1228. Amounting to millions?—No, certainly not, nothing like it; in all the larger kinds of liquidation, voluntary liquidation, the banking account is in the name of more than one person, and trustees frequently sign.

1229. As a rule it is in your own name?—No; in quite as many cases it is in the joint names of the liquidator and the committee.

1230. You have great experience; have you any dividends unclaimed in the bank, or in your own hands?—No, not many. The custom is this: it is not only the custom to give a dividend notice, but it is the practice to repeat that notice; if the creditor does not come within a certain time, a second dividend notice is sent; and if any notice is returned to us through the Dead Letter Office, the greatest care is taken, and every possible inquiry made, to find out where this person may be, in order that the notices may be forwarded to him.

1231. But you are aware that even the Bank of England has a large amount of money of unclaimed dividends, and all bankers have the same?—No, I do not know about "all bankers;" I can quite understand that the Bank of England would have a large amount of money standing to the credit of the Accountant in Bankruptcy in respect of dividends.

1232. No; I speak of unclaimed dividends from shareholders of the bank, that their own shareholders have not applied for; the people are dead, or have changed their addresses?—I should not think the amount would be considerable, I should think very small.

1233. You have sometimes estates occupying seven or ten years in the winding-up?—Yes.

1234. Do not a great many people die or change their addresses during that time?—Yes.

1235. And therefore there must be a great amount of unclaimed dividends in the hands of all liquidators, must there not?—No; I can say for myself, and for others also, that that is not the case, because if the people die we find out the relatives.

1236. Invariably?—Wherever it is possible.

1237. Where do the unclaimed dividends go to?—When an estate is finally closed, the way is to pay the amount of dividend into court. If you want to get a company dissolved, a list of dividends with the names and addresses is made out, and you pay it into the credit of the Suitors' Fund.

1238. In answer to an honourable Member, you said you thought that the Companies Acts of 1862 and 1867 had been on the whole a success?—I think so.

1239. That is, that they have developed capital for starting companies, which otherwise could not have been started?—I think they have.

1240. Do you think that there is not sufficient enterprise and capital in this country individually to carry on companies without the benefit of this Act?—I think persons are becoming so accustomed to take shares in various companies, rather than have a larger sum in one business, that it has been the means of providing an investment, and on the whole a profitable investment, for persons having money so to invest.

Mr. *Orr Ewing*—continued.

1241. But I suppose you are quite aware that an enormous number of companies formed under these Acts have been unsuccessful?—Yes.

1242. You would say from your experience that that applies to a much larger number of companies formed under these Acts than private co-partnerships?—Yes, and for two reasons: in the first place, the sums given for goodwill by companies have been simply monstrous; and the next reason is the disadvantage of having a mere board of management instead of the direct and personal interest of two or three proprietors.

1243. These are great disadvantages in the way of the success of companies?—Yes, very great.

1244. Do you not think that they are so great as to render nugatory the chance of success of public companies against private enterprise in small concerns?—In small concerns I should very much prefer a limited partnership to having shares in a joint-stock company.

1245. Would you recommend Parliament now to limit the amount for which a public company under these Acts could be established?—No, I would not propose any limit of that kind; I would take care that whatever amount of capital they asked for either must be subscribed, or the business must not proceed.

1246. Do you not think that there might be some improvement in the formation of companies under these Acts?—Yes, I do; this Amendment Bill, No. 2, has some provisions which bear on that point.

1247. Do they carry out all the improvements that you would suggest, or have you anything else to suggest?—No, I am afraid to touch upon Clause 4; that is a very difficult thing, upon which I shall act most wisely by saying nothing, and leaving it to wiser heads than mine; but Clause 5 says that "no application for the allotment of any capital in pursuance of any such prospectus or notice shall be binding" unless two-thirds of the amount of capital offered be subscribed for; I think two-thirds is very much too low.

1248. Would you recommend that the whole capital should be subscribed for before the company is registered?—No, it cannot be before it is registered, because it must be registered before you can apply for subscriptions. I would say, do not let my application for shares be binding upon me unless within a certain time (and I should put it as high as 90 per cent., instead of two-thirds) 90 per cent. of the capital for which they ask has been subscribed.

1249. Would you recommend that a certain proportion of the capital should also be subscribed and deposited before the registration is completed?—At present there is only one registration; they have to register the company before they can send out notices to persons to whom they apply for shares.

1250. But might you not make it an *interim* registration, and then a final registration?—Yes, that might be done.

1251. You are aware that in France the law is that two-fifths of the capital must be subscribed before the company is registered?—I did not know that it was before it is registered.

1252. Before it is started, and made finally a company: would you recommend that some such provision should be made here, or even to a greater

Mr. *Orr Ewing*—continued.

greater extent?—Two-fifths paid up? Yes, I would have two-fifths paid up, certainly.

1253. Do you not think that a great deal of the suffering that has taken place from the misfortunes of these companies has arisen from a very small proportion of the capital of the company having been called up, and then suddenly a demand comes, either in liquidation or otherwise, for the balance, which is ruin to so many shareholders?—Yes, I do; but the system by which new companies are launched now has altered very much in that respect, and you find now that nearly the whole amount of the shares has to be paid up within a reasonable time. Formerly it was quite a common thing to see that the shares were 50 *l.*, and perhaps only 10 *l.* would be called up; and here these poor people would be, with a liability of 40 *l.* per share impending over them.

1254. You are aware of the enormous amount of capital that has been subscribed to those companies, amounting to about a million and a half; have you any idea of the amount of capital that belongs to existing companies?—No, I have not.

1255. You have not made an approximate estimate?—No, I have not; I do not think there is any source from which that could be readily got.

1256. You have seen the returns made to Parliament from year to year for the last five or six years?—I have seen one or two of them; I have not seen more.

1257. It appears to me, from the statement that is made there of companies not in existence, or only believed to be in existence, that but a very small proportion of the companies started are left in existence now?—I have not had an opportunity of seeing the return.

1258. But you would, rather than have any limit as to the amount of capital with which a public company should be started, make a safeguard to prevent fraudulent concerns being started, by having the shares all subscribed for, and a certain portion of the capital paid up, before the company finally starts?—Yes, I would.

Mr. Serjeant *Sherlock*.

1259. In reference to the question of the remuneration of liquidators, there is no check, as I understand, but the affidavit of the liquidator, who details the number of hours for which he charges?—Yes, one of your clerks, in some chambers two; the person who keeps the books, and the person who has the posting of the entries, has also to make an affidavit.

1260. But there is nothing analogous to the taxation of a solicitor's bill of costs?—No; the bill is taxed, in point of fact, by the scale.

1261. But it depends (and I am very far from saying that the affidavit is not a sufficient check) upon the affidavit of the liquidator?—And the affidavit of his clerks, entirely.

1262. You have never known, in fact, of the amount charged for being reduced by any authority of the Court of Chancery?—No, I have no personal knowledge of such a case.

1263. Have you ever had any experience in solicitors' bills of costs?—I have seen a great many.

1264. They are generally reduced on taxation?—Yes.

Mr. Serjeant *Sherlock*—continued.

1265. There is, therefore, considerable difference in the principle applicable to the payment of a solicitor and a liquidator?—I think not in the principle. The law allows a solicitor a certain sum for a certain kind of work; the law allows a liquidator a certain sum for a certain kind of work. The principle seems to me to be the same. Why a solicitor's bill is taxed, and anything taken off, is because the solicitor has fallen into the error of charging more than the law says he may have.

1266. But the solicitor's bills of costs are tested and examined, and are necessarily vouched, are they not?—I suppose all cash payments; I have never attended the taxation of a bill.

1267. You mentioned, I think, that the liquidator was paid every six months, or not earlier than six months?—No, I have never known a case less than six months; and I have known it six years before receiving anything.

1268. When they are paid, it is by order of the Court of Chancery?—In compulsory liquidations; the chief clerk signs the cheque.

1269. On whom is the cheque drawn?—On the Bank of England.

1270. As against the fund of that particular company?—Yes.

1271. Which has been paid in by the liquidator?—Yes, which has been paid in by the liquidator.

1272. Then the liquidator cannot pay himself?—No.

1273. In reference to the 21 days' notice, it has been suggested that an affidavit by a creditor might be insisted upon, and an investigation then of the claim; I think some member of the Committee suggested that proceeding; but there would be practically, unless there was a judicial inquiry, no check on a fraudulent creditor averring that the transaction was so-and-so, and that a debt arose by which he became a creditor of the company?—Yes; there would be this check, that he would be, in the first place, liable to cross-examination upon his affidavit; and what I suggested was, that if, in reply to such an affidavit and notice, the company made an affidavit saying that the debt was not due from them, no petition should be filed without leave of the Court, and you would have to take out a summons before the chief clerk for leave to file the petition.

1274. Would not that be practically an investigation of his claim, which would take up as much time as an action?—No, I think not; because you would not ask the chief clerk to decide the question, but only whether a *primâ facie* case of debt had been made out, in which case he would allow the matter to go on to a petition, and let the debt be disputed when the petition came on for hearing.

1275. You mentioned that it is the practice in your office to keep separate accounts, so far as you can, for the various companies for which you are liquidator, and not in any manner to mix them up with your own private accounts?—Yes.

1276. But there is nothing compulsory in that?—Not in cases of voluntary liquidation; there is in all compulsory ones. In compulsory liquidations you are obliged to open an account in the name of the company, and give the cashiers of the bank notice that cheques on that account are to be signed by A B, C D, or E F, the chief clerk, and by the official liquidator

Mr. *Price*.

25 June 1877.

Mr. *Price.*

25 June 1877.

Mr. Serjeant *Sherlock*—continued.

1277. And is it the result of your evidence that in compulsory liquidations the liquidator cannot have any of the funds of the company in his own hands?—Not one farthing, unless on receiving money he fails to pay it in to the bank; it cannot be drawn out without the signature of the chief clerk.

1278. He does not pass his account until the whole affair is wound up, does he?—Yes; the order appointing A B liqudator of a particular company directs that at particular dates, as far as I know, never at intervals of more than six months, the liquidator shall bring in his accounts; those accounts are brought in, and are verified by affidavit; you get an appointment with a junior clerk, and he goes through the cash account item by item, which is vouched and passed.

1279. And the vouchers are produced to show that the money has been lodged in the bank?—Yes, the bank book, and not merely only that, but we also take a written certificate from the bank of what the balance is; we do not merely depend upon the pass-books, because pass books have been known to be tampered with; but we take a certificate that on the evening of such a day there was standing to the credit of such a company so many thousand pounds, and that is signed by one of the cashiers.

1280. So that there is no means by which the liquidator can retain in his hands, for any length of time, certainly not more than six months, any portion of the balance?—It is impossible, and if he did that they would charge him immediately; the law says, "If you do not pay the money in, you shall pay at the rate of 20 per cent. on it."

1281. Have you ever known 20 per cent. charged on liquidators?—I have never known cases where liquidators have not paid the money into the proper account.

1282. You appear to think that the decisions of the Registrars in Bankruptcy are very unsatisfactory?—I say it with all respect, but I think they are exceedingly unsatisfactory. I have had cases myself where one Registrar has overruled the decision of another Registrar; that is not satisfactory.

1283. They sit of course separately, and have separate jurisdictions; the second Registrar did not exercise any appellate jurisdiction, did he?—Yes; you go from one Registrar to another; and then the registrar whose decision is overruled to-day sits the next day and overrules the decision of his brother, who overruled him the day before.

1284. You mentioned that the actual winding-up order is sometimes necessarily delayed by small outstanding balances?—That the dissolution of a company is.

1285. And that if those balances can be afterwards recovered they would be paid into the Suitors' Fee Fund and lost to the company?—Yes.

1286. Now, could you suggest any form of order by which a company might be dissolved with a proviso that if any sums were afterwards recovered, those who had been shareholders should be entitled to them, so as to prevent the fund from going away to another source altogether?—It would be so now; the only balances remaining outstanding would be unclaimed dividends, of which you make a list, and the amount is paid into the Suitors' Fund; but the difficulty of dissolving a company is that there is possibly some debt upon which a dividend of 1 *d.* in the £., or it may be 5 *s.* in the £., may be paid in the course of a year or two, and we cannot make an affidavit that that estate is fully paid up when we know that in 12 months' time we may receive a 5 *l.* note. I have a case where I have been trying to get a company dissolved for five years past, and the chief clerk says, "Is such and such a matter settled?" I say, "No;" and probably the amount to receive will not exceed 50 *l.*

Mr. Serjeant *Sherlock*—continued.

1287. Are you aware that the attention of the public has been drawn in the newspapers in the course of this year to an allegation that the vast majority of solicitors, accountants, and official liquidators demand, as of right and custom, from auctioneers a share of the commission?—I do not believe that.

1288. You know the firm of Messrs. Debenham, Storr & Sons?—I do.

1289. Perhaps you have heard that they wrote a letter to that effect?—No, I have not heard that; I do not believe that the practice exists.

1290. They allege that the vast majority of solicitors, accountants, and official liquidators demand, as of right and custom, a share of the commission from the auctioneers to whom they entrust the public sale of the property they have to deal with in their professional capacity, you do not believe that?—I do not for a moment believe it.

1291. Now, you referred to the fact that you were a liquidator in the Albert Insurance Company?—Yes; I was one of the joint official liquidators.

1292. There were some questions asked in this Committee which I think it right to call your attention to in reference to that, as to the cost of winding-up?—I may be allowed to say that I feel some difficulty about answering those questions, and for this reason: I was appointed by the arbitrator who was appointed under a special Act of Parliament. The companies were not wound up, therefore, under the Companies Acts; and unless the Right honourable Chairman tells me that I am wrong, I feel some hesitation in giving any information about an arbitration which, in a certain sense, may be considered confidential information known by me.

1293. Mr. Morris was asked in Question 957, "You wound it up in a year and a half, but then there had been 30,000 *l.* spent in the court during that time?" and the answer is this: "They had it, I think, about 18 months in their hands before the arbitration. The liquidators had spent during that time about 30,000 *l.* or 40,000 *l.*; it was not only the expense of the liquidator but the expense of the machinery." Do you wish to offer any explanation with regard to that?—Yes, I believe the explanation is this; on the fall of the Albert Company it was hoped that that company would be reconstructed, and by the order of the judge, on our application, the business of that office was continued with a view to that, but, as far as my memory serves me, for, I think, about eight months, the whole business of that concern was carried on as a going concern. You will not be surprised, therefore, at the amount of the costs, when I tell you that the whole staff of the Albert was kept on here in London and in their Indian establishment, and that the ordinary expenses of that establishment before the liquidation had been at the rate of upwards of 60,000 *l.*;

Mr. Serjeant *Sherlock*—continued.

60,000 *l.*; the last year before the Albert Company was suspended the total expenses for salaries, rents, commissions, and so on, came to 60,000 *l.* a year; that business was carried on by us as liquidators, in the hope of reconstructing the company, and I have no doubt whatever that the amount of 30,000 is quite right, though I have not the figure here; but those are not liquidation expenses in the sense of being received by lawyers and liquidators; they included the whole expense both of the English and the Indian establishments.

Mr. *Chadwick.*

1294. Referring to the European liquidation, have you any suggestions to make or information to give, because the European liquidation includes some insurance companies under the limited liability?—No, I feel a hesitation in answering anything about the European, because there has been no award made, and I shall have to seek the permission of the arbitrator before giving any information about the European Company here.

1295. Referring to the Companies Amendment (No. 2) Bill, referred to this Committee, of which you have a copy before you, you partially expressed your opinion on Clause 4; do you see anything in the information there required to be given, that in your opinion, would be objectionable?—The objection, in my mind is, that it does not show quite clearly enough what is to be given; it does not state so clearly as to avoid error what particulars are to be given in the prospectus.

1296. It mentions a good many particulars; what other particulars would you require?—I think it is almost impossible to say what particulars you would require in a particular case. I do not know, in fact, how such a clause is to be drawn.

1297. But you would rather require more than less than what is specified in the Bill?—No, I think unless I can make persons understand clearly what I wish them to observe I should say nothing.

1298. Now, as to Clause No. 5, you would make it, instead of two-thirds, 90 per cent.?—Yes.

1299. And with 90 per cent. inserted there you would approve of the clause?—Yes.

1300. Clause No. 6, do you approve of that?—Yes, with the addition that there should be attached to the list of the number of shares held by each shareholder.

1301. Coming now to Clause No. 7; I am very anxious that you should express your opinion on the preparation of the balance-sheet and the profit and loss statement in the form set forth in the schedule; and as to the directors submitting, at least once a year, a report of their proceedings?—As to that clause I do not quite know what is meant by the directors of the company submitting a report of their proceedings. I do not know what a report of their proceedings means; does it mean a transcript of all their minutes for the year, and if not, what part of them? I do not know how to define a report of their proceedings; but in other respects, except that I should like more time given to the shareholders for the consideration of the accounts, the clause seems to me a useful clause.

1302. What time would you require; 10 days instead of seven?—I think it would be very much better. But the clause says: "At the option of such company;" it should be "either sent to the registered address of every member of the company, or deposited at the company's office." I think that it should be determined absolutely what directors are to do, and that there should be a common practice for all companies in that respect.

1303. There are small companies consisting of seven persons, and there are very large companies consisting of 7,000 persons, and those small companies nearly on a par with private firms; and this is intended to provide that they should make their own regulations; there can be no objection to that, I suppose?—I think myself, that the law should say which it is to be, that either the account is to be deposited at the company's office, or it is to be sent to each member.

1304. Do you approve of the forms A and B in the schedule, the balance sheet, and the profit and loss statement?—Not quite as they stand; I think the balance sheet given in the schedule to the Act of 1862 is a much better one; it is fuller; this one does not give some particulars which seem to me a very important thing to have on the face of the balance sheet, and that is the various classes of secured creditors, those who are fully secured, and those who are only partly secured; and it omits all mention of contingent liabilities.

1305. But you are not looking at the schedule, I think; the balance sheet says, under the amount of the liabilities of the company, "state special items separately, such as deposits, royalties, unclaimed interest, or dividends," &c.?—That would not tell you to set out the secured creditors and partly secured creditors, and the value of the securities held by each; I should not have gathered it so.

1306. Is there any other improvement that you would suggest?—Yes, I think that the amount of the bad debts should be specifically stated, and I think that the depreciation should be stated also, for there is no entry on a balance-sheet which tells a more truthful tale than the amount written off for depreciation; because if you find a company very successful and earning good dividends, you always find a good amount written off for depreciation; but if only a small profit is made, you always find that the item of depreciation suffers, and that a less amount is charged.

1307. But are you not aware that in the case of Joint Stock Companies exhibiting on the face of their balance-sheet the amount of depreciation, they have to pay the income-tax on that amount?—Yes, I am.

1308. And do you not know that in many cases they have simply disused that plan of showing the depreciation, because they had been charged income tax on that amount?—Yes, and I think it is very much to be regretted; I think the small amount of income tax would be well spent in securing the information which those items afford.

1309. In reference to the profit and loss statement, what do you say?—The first item in the profit and loss statement on the debit side I do not quite understand; it is this, "To expenditure on account of capital and management during the year," I do not know how an item of that sort can come into a profit and loss account.

1310. What would you substitute?—An expenditure

Mr. *Price.*

25 June 1877.

Mr. *Price.*

25 June 1877.

Mr. *Chadwick*—continued.

penditure on the account of capital would have no place in a profit and loss account. Then as to the second item, "Interest on mortgages and debentures;" it is quite possible that some of those mortgages may be raised on capital account, and that the interest on them should go to capital, and not profit and loss.

1311. Have you any other suggestion to make with reference to the profit and loss statement?—No, I think not.

1312. Do you think the directors ought to be required to give the certificates stated here in Form B?—Yes, I think so; I do not see any objection to that.

1313. Do you think that the auditor's certificate set forth here should be as full as it is, and in substitution of the very short and unsatisfactory certificate which auditors generally give. It says here, "We have compared the same with the books and vouchers of the company"?—I think after the word "vouchers," the words "and securities," should be put in; I do not quite know what the meaning of "and have examined the schedules of assets and liabilities" is.

1314. You do not know what a schedule of assets and liabilities is?—No, I do not quite know what examining the schedules mean.

1315. What would you substitute?—I do not think those words are necessary at all.

1316. You would prefer the old system, "Examined and found correct," would you?—No; I think the certificate is all very well, but I do not like the words "and have examined the schedules of assets and liabilities," because you have before "and with the certified stock accounts," and that would include all the assets, I suppose other than those specifically stated.

1317. Have you any suggestions of improvement to make in these certificates?—No, I think not; but it would be very desirable not to say that the accounts should be rendered in this particular form, because then the directors will lean their back against the form, and say "We have done all that the law requires." I would suggest that the law should say "You shall not render less than these statements, but you shall also supply whatever other items under proper heads may be necessary to afford your members the fullest information about the condition of the company."

1318. When this Bill was before the House of Commons last year it contained another clause, that liquidators should be required annually to send to the shareholders of the company a report of the proceedings, and an account of the receipts and expenditure; should you approve of that being done now, making it compulsory that the liquidator should give an account of his stewardship to the shareholders of the company, and perhaps to the creditors?—Yes, I think it would be a very proper thing indeed that he should send a statement of the account.

Mr. *Gregory.*

1319. I think, taking a general view that yours was, that there should be some guarantee for the *bona fides* of these companies in their original inception?—Yes, and a substantial one too.

1320. Do I rightly understand you that that should be required before they are entitled to assume the title of Limited Liability Companies?—Before they are entitled to begin business, or to hold applicants for shares to those applications.

Mr. *Gregory*—continued.

1321. And that during the progress of their business there should also be some provision for the *bona fides* of their accounts?—Yes.

1322. And that, at all events, the shareholders should have those accounts before them at proper periods?—Yes.

1323. And those accounts properly audited and certified?—Yes.

1324. Now, with reference to this question of remuneration, that charge per hour, I think, is a very old mode of charging by accountants, is it not?—It is.

1325. And it originated when accountants used to be employed by merchants and tradesmen to go through their books occasionally?—Yes; on business generally, too, I think.

1326. And that was between them and the employers; they were not acting in any official capacity?—No.

1327. But they were called upon by persons for the purpose of looking into their accounts?—Yes.

1328. And it then became a sort of rough mode of remunerating them as between them and the persons by whom they were employed?—Yes.

1329. That has been continued, in fact, originating in that practice, as I understand?—Yes.

1330. You, I think, consider that it is not a satisfactory mode of remuneration?—Not in all cases, certainly.

1331. Will you allow me to ask you, is it not open to this objection: supposing you and I were both appointed liquidators, you would be able to add up a ledger, when investigating an account, in about half the time that I should?—I may have some clerks who would, but I am quite sure I could not personally.

1332. But your clerk would in half the time?—Yes.

1333. Then he would do twice as much in the hour us I should?—Yes.

1334. And yet my hour would be paid for at the same rate as his?—Yes; but then, in another part of the liquidation you would be able to do in one hour what my clerk would take two hours to do, or perhaps would not be able to do at all; you would be able to bring to the matter a great deal more information and knowledge than he would possess.

1335. Now, with respect to shareholders under liquidation, I think they are considered to be represented by the liquidator and his solicitor, are they not?—The liquidator is the representative both of shareholders and creditors.

1336. There is no separate representation?—No; there has been; I have not heard of the appointment of what is called a creditors' representative for some time, but there were such appointments, and the creditors' representative was represented by a separate solicitor; but I think the general feeling was that it did not answer at all; there was no real gain, and there was a considerable amount of expense.

1337. Have you ever heard shareholders apply for a separate representation?—No, I have never known them apply for it.

1338. Do you think it would be very unfair that they should have such a power of representation?—I think you would improperly lessen the responsibility of the liquidator. I think it should rest with him, because you can bring him, whoever

Mr. *Gregory*—continued.

whoever he be, before the Court at a moment's notice.

1339. That is to say, an individual shareholder can?—Yes, or creditor.

1340. That is to say, acting individually?—Yes.

1341. And they do it at their own risk of costs?—Yes, it is merely that of the summons; nothing is more easy.

1342. Having no funds at their hands, they do it at their own risk?—They do; but if there was anything in their application, they would be certain of their costs.

1343. You have spoken of one winding up where there were 2,000 *l.* worth of assets, and the liquidator's remuneration was 450 *l.*?—Yes.

1344. Do you remember what the solicitor's costs were?—No, I do not; but very much more than that.

1345. Then I take it that of that 2,000 *l.* of assets, there was but a very small dividend left for the creditors?—One penny and some fractional part of a penny per pound.

1346. That was the result of that liquidation?—After about seven years. I am satisfied that the amount of dividends paid on the estates in liquidation is very much higher than is commonly supposed.

1347. Have you ever been consulted by a solicitor or otherwise as to the state of a company previously to its being wound up, previous to the application, and with a reference to the application?—Yes.

1348. To advise whether an application should be made or otherwise?—Yes.

1349. Have you advised in those cases?—Yes.

1350. Now, I daresay it has happened to you in the course of liquidation to meet with many distressing cases of individual shareholders?—Yes, many.

1351. Have you met with cases of that kind where shareholders have been misled by the title of a limited company, that they had been, in fact, anticipating that their liability was limited to a greater extent than it turned out to be?—No, I do not remember meeting that case.

1352. Persons taking their shares have understood the extent to which they would be ultimately liable, you think?—I think so; that is always set out on the prospectus; of course they are misled very likely by a statement of this sort; they are 50 *l.* shares, but no more than 10 *l.* will be required to be paid up; and they have jumped to the conclusion that they were only liable for 10 *l.*

1353. That is exactly what I mean; you have found cases of that sort?—Yes; but in the last three or four years they have not brought out prospectuses so frequently in that way.

Sir *Henry Jackson.*

1354. In reference to the accounts of the Albert Insurance Company, was there any material difference in the cost of winding up after the matter was relegated to the arbitrator?—Yes, very material.

1355. That is to say, that the proceedings before Lord Cairns were less costly than those before the Court of Chancery?—The proceedings before Lord Cairns lasted four and a half years, roundly speaking, and then it was finally closed. If that company had gone on in liquidation in the

Sir *Henry Jackson*—continued.

Court of Chancery, I am quite satisfied that the liquidation would have lasted my lifetime, and that between that and the European and the companies associated with them, 40 in number, I should never have had time for any other work as long as I lived.

1356. You gave us about 30,000 *l.* as the figure expended before Lord Cairns took the arbitration?—Yes, I think so.

1357. Do you recollect what the subsequen cost of all the arbitration came to?—No.

1358. Was it anything like 30,000 *l.*?—Yes.

1359. Was that difference in cost the result of any altered procedure, or was it merely that the arbitrator and his assistant, his assessor, had time to apply to that and to nothing else?—The great saving of time and cost was, I think, that there was no appeal, and that there was an entire absence of merely technical legal procedure in the general administration of the liquidation.

1360. Lord Cairns' decision was final?—It was final.

1361. Now there has been an appeal in the European case?—There has been an appeal since the present arbitrator was appointed.

1362. And there is an appeal now?—Yes.

1363. Has the establishing of that appeal increased the cost of the European case?—It has.

1364. Was there any important difference in the procedure before Lord Cairns, and that in the Court of Chancery, apart from the question of the judge being able to attend to the matter?—No.

1365. Your experience in the statutory liquidation of the Albert Company, that is to say, your experience as liquidator under Lord Cairns, does not enable you to give the Committee any suggestion as to reducing the cost of winding-up before the Court, except as to appeals?—No, not any; that was the material part of the saving.

1366. Those costs were attorneys', and barristers', and law costs, and your own accountant's charges?—Yes; then there was a special arrangement made with the liquidators both in the Albert case and the European case; we were paid a certain sum, and our clerks also, which was below the usual amount allowed to liquidators.

1367. In the Albert liquidation you had a competent tribunal specially constituted?—Yes.

1368. It attended to that liquidation and nothing else, and sat continuously for the purpose of attending to it?—Yes.

1369. Even in that way heavy expenses were incurred, and necessarily so?—Yes, necessarily.

1370. Does not your experience in that capacity enable you to make any suggestion at all as to diminishing the costs in liquidations?—I do not know whether I may call it a suggestion, but what I should be very glad to see would be one judge attending to liquidation business, and possibly to bankruptcy business too, and to have a separate staff of chief clerks, chosen from the present chief clerks, who are familiar with the business.

1371. I understand that one principal cause of delay is the difficulty of getting access to the tribunal, from the pressure of business in the Court?—Yes, it is; and then appeals.

1372. But appeals now do not last so long as they did?—They do not.

1373. But, after all allowances, they do impede the

Mr. *Price.*

25 June 1877.

Sir *Henry Jackson*—continued.

the progress of business?—Yes. I should be glad myself to see this provided, supposing there was a judge, an eminent person, who could be chosen for the post, that, excepting in certain circumstances, where he gave leave himself, there should be no right of appeal at all.

1374. What would you think, as far as you know the business, of delegating all winding up to one particular Vice-Chancellor; would that help matters at all?—I think it would; but I think he would not have time for anything else; certainly not, if bankruptcy was added too.

1375. Do you think, from what you know of the present state of business, and the prospects of it, there would be enough winding-up business to keep a new judge fully occupied?—I do not know whether there will be in another year's time, because I think winding-up business is getting much less; I think, in the main, we have seen nearly the end of winding up.

1376. The worst you mean, I suppose?—Not only the worst, but by far the greater part; I anticipate a very great change indeed in that branch of the business.

Mr. *Gregory.*

1377. You have told us that the expenses of the Albert Company were something like 60,000 *l.* a year?—They were that amount when it was a going concern.

1378. Did you ascertain, in the course of your inquiries, what the expenses of their amalgamations had been?—Enormous.

1379. The commissions they paid?—Yes, the sum was enormous; as far as I remember, the total cost exceeded 275,000 *l.*

1380. The commissions for amalgamation?—Yes, and what were called compensations and the incidental expenses.

Mr. *Isaac.*

1381. If a system was carried out, such as we have heard of in this Committee, of having the whole of the capital subscribed, and a certain amount paid up, of a company on its formation, do you not consider that that would in a good measure put an end to these liquidations?—Yes, I do, by preventing the formation of bubble companies.

1382. And you, from your great experience in the winding up of companies, would recommend that that should be done in future on the formation of companies?—I would.

Thursday, 28th June 1877.

MEMBERS PRESENT:

Mr. Ashbury.
Mr. Alexander Brown.
Mr. Chadwick.
Mr. Orr Ewing.
Mr. Gregory.
Mr. Hubbard.
Mr. Knowles.
Mr. Sampson Lloyd.
Mr. Lowe.
Mr. Rylands.
Mr. Serjeant Sherlock.
Mr. Edward Stanhope.

THE RIGHT HONOURABLE ROBERT LOWE, IN THE CHAIR.

Mr. ROBERT PALMER HARDING, called in; and Examined.

Mr. *Harding.*
28 June 1877.

Chairman.

1383. WHAT is your employment?—I am an Accountant.

1384. Have you acted as Liquidator?—I have been acting as Liquidator for nearly 30 years; I was first appointed in 1849, under the old Acts.

1385. How were you appointed?—The Masters in Chancery then had liquidations attached to their chambers; I was first appointed by Master Farrar, subsequently by all the Masters.

1386. When did that appointment terminate?—I think upon the introduction of the Limited Liability Acts, the business was transferred to the Court, and the Masters were abolished.

1387. Have you acted since that time?—I have acted continuously since that time. I may say that I have personally administered 62 companies, and my firm have had the administration of 140 altogether.

1388. We have been told that the method by which payment is made to the liquidators is by the number of hours; that is so, is it not?—The system originally was a mixed system, partly by time and sometimes by commission; but within the last eight or nine years a scale was introduced by the Judges, after a conference together, by which the payment was to be made by time.

1389. And that is now the system?—That is now the system, and I think a most unsatisfactory one.

1390. Why do you think it unsatisfactory?—It is a premium to those who are inexperienced, and to those who have not any very great amount of energy, and it is a detriment to those who can do their work fairly or well.

1391. It also is rather an inducement not to hurry too much over the work, is it not?—It, no doubt, acts as an inducement to those persons who have not a very large amount of business.

1392. To spin it out?—To spin it out.

1393. Can you suggest to us any better plan for remunerating these liquidators?—I think the payment of the liquidator by commission would be far better.

1394. By commission on what?—On the moneys coming into his hands, for if the circumstances are such that there are no moneys coming into his hands for general distribution, there would be no work to do, or scarcely anything.

Chairman—continued.

1395. Take the first case: supposing very little money is realized, how would you pay him then; he would still have a great deal of trouble, would he not?—I am afraid it might happen in such a case as it has happened already to me, that the work has not been paid for.

1396. I suppose you would think that he had the first claim upon any sum that was realised?—Yes. There are not many cases, certainly, of the kind, but an arrangement would be made between the liquidator and the solicitor, that whatever small fund there might be would be apportioned.

1397. There might be a danger in that case of his getting less than he ought to receive, I suppose?—He would get a very small sum.

1398. On the other hand, I suppose, there is also a danger the other side, that he may get more than he ought if you pay it on commission, if it is a large sum which is realised?—I think not, because if the liquidation is voluntary there are usually shareholders acting as a committee of supervision, and they award the liquidator such a sum as may be, in their judgment, sufficient. There is no appeal from them in the voluntary liquidations; but under the supervision of the court everything is done by the court.

1399. Then your plan would be that he should be paid by a commission, to be supplemented in case it was not enough?—By some discretionary allowance.

1400. That there should be a discretion if it was too much, or not enough?—Yes.

1401. And in whose hands would you place that discretion?—Either in the committee or in the court, as the case might happen to be. I was going to say that in Overend & Gurney's case (of which I shall be happy to give the details presently), the committee of shareholders first fixed the remuneration at ½ per cent. on the amount collected and distributed amongst the creditors; after several years they came to the conclusion that that was more than they had originally intended to give, and submitted their views to the Vice Chancellor and the amount was reduced, so that the court has power, and the committee have full power, to deal with any matter which is before them. The liquidator has no power to pay himself.

Mr. *Harding.*

28 June 1877.

Chairman—continued.

1402. It would be by a commission, then, subject to regulation by the court in case it was required, that you would have the liquidator paid?—Yes, the court and the shareholders would have regard to the labour that was bestowed.

1403. You have other suggestions or observations, perhaps, to make to us?—On the question of payment there is, I think, a very great deal of misconception as to facts. The control over the liquidator is unlimited as far as my experience goes.

1404. Control by whom?—Either by the shareholders or by the court. In one company which I had the liquidation of, the assets collected amounted to nearly 116,000 *l.*: there was paid to creditors nearly 105,000 *l.*; returned to the shareholders upwards of 4,000 *l.*; the law costs to the solicitors in the liquidation were 1,933 *l.*; to some other solicitors proving claims and incidental matters, 342 *l.*; and to the official liquidator for his personal services, and for the services of his clerks during the course of the liquidation, eight years, 2,963 *l.*

1405. That was one of your own cases?—That was one of my own cases.

1406. Why do you quote that case?—To show that neither the solicitor's charges nor the liquidator's charges are excessive.

Mr. *Orr Ewing.*

1407. What is the name of the case?—The Hop Planters' Joint Stock Company; that was in the Chambers of Vice Chancellor Bacon.

1408. That is about 2 per cent?—Yes; now in another case where the matter was a small one (and those small ones, as no doubt would be inferred by the members of the Committee who saw the scale the other day, cannot afford any adequate remuneration to the persons concerned), the assets amounted to 2,625 *l.*; the solicitor's costs for the liquidation were 191 *l.*, and the official liquidator's personal remuneration was 75 *l.*, and for his clerks 124 *l.*; the creditors were paid in full.

Chairman.

1409. What was the capital in each of these concerns?—My impression is that in the Hop Planters' Company it was 500,000 *l.*; it was not called up.

1410. And in the other case what was it?—The other one was small; I think it was 20,000 *l.* No doubt the present system permits of many abuses, particularly the system that is now practised at some of the judges' chambers of appointing the nominee of the solicitor or of the petitioner. Formerly, when liquidations were in the Masters' offices, the Masters took some trouble to ascertain the character of the liquidator, and the Vice Chancellors followed the same rule; but now (I speak from knowledge; I do not propose to make any observations which are not based upon information) the appointment is frequently a matter of sale; it is only within this last month that one of my partners has been asked by a petitioner, "What will you give me if I nominate you to be the liquidator?" and within about the same period I know a case where a person called on the petitioner and asked him if he would sell his debt, and with it the nomination to the liquidation.

1411. Was that an intending liquidator who so applied to the petitioner?—An intending liquidator, or person connected with the solicitor.

1412. Some person who wanted to get the thing into his own hands?—Yes; it is no doubt the interest of the solicitor (there are solicitors and solicitors) to get an inefficient person appointed liquidator, because his costs are very much increased thereby.

Chairman—continued.

1413. How does an inefficient person increase the costs?—He rarely puts a stop to litigation; permits it perhaps to be commenced, and the solicitor has to do a great deal more work than he otherwise would have to do. Now upon the great case of liquidation which has produced so many observations, the Overend & Gurney's case, I will give the Committee some facts. The company failed, owing directly and indirectly nearly 20,000,000 *l.*, upwards of 18,000,000 *l.* sterling; that was in May 1866. By the end of 1870 all the creditors had been paid in full.

1414. Who was the liquidator?—I was liquidator jointly with Mr. Turquand. It was far too heavy a matter for any one person to undertake.

1415. By 1870 all the creditors had been paid in full, you say?—By June 1870, all the creditors had been paid in full. To enable us to do that without making more calls than were absolutely necessary, we had borrowed on three occasions moneys amounting to 550,000 *l.*

1416. On what security?—On a letter from us as liquidators, that we would repay the amount out of assets when realized, or calls, if calls were necessary. That enabled us to pay the creditors without any great pressure upon the body of shareholders.

1417. The claims of the creditors being how much?—The direct liabilities were 18,000,000 *l.*, but many of those ran off.

1418. How could 500,000 *l.* pay off 18,000,000 *l.*?—We made calls on the shareholders, which produced 2,075,000 *l.*; but the calls did not all come in promptly, as may be supposed; but when we found that we had sufficient money in hand to pay very nearly a round sum as dividend, we borrowed 250,000 *l.* to make up the sum, and on another occasion we borrowed 200,000 *l.* so that we might relieve the shareholders for the time being. We paid altogether in dividends, 4,913,000 *l.*

1419. That was instalments of debts?—In dividends and interest to the creditors.

1420. Dividends to creditors, you mean?—Yes. Now a question arose as to the remuneration to be allowed to the liquidators rather early in the proceedings, and a committee of shareholders, and a creditor's representation, agreed to allow the following per-centage on the amount realised and distributed. The amount was by commission on the monies paid to the creditors of the Company, at the rate of half per cent. on the first 4,000,000 *l.* distributed, and at the rate of 1 per cent. on sums beyond 4,000,000 *l.* The Committee of shareholders, the creditors having been got rid of, represented to the Vice Chancellor that for the labour which liquidators bestowed during the period required to pay the creditors, rather more than five years, 20,000 *l.* to each of them, would be a sufficient sum, and that was the amount the Vice Chancellor allowed.

Mr. *Sampson Lloyd.*

1421. Is that 20,000 *l.* over and above the half per cent.?—No, a lump sum of 20,000 *l.* to each liquidator.

1422. It was 40,000 *l.* in all?—Yes; that was up to 1871; since that time a meeting of the principal shareholders, bankers, and others largely

Mr. *Sampson Lloyd*—continued.

largely interested, was held, and they agreed to allow a commission on the other assets which might be collected and distributed; and that commission has, down to the 31st of December last, given to each liquidator 6,766 *l.* for the six years.

Chairman.

1423. At what rate was the commission?—It is an increasing scale; 2 per cent. on the first 100,000 *l.* collected; 3 per cent. on the second 100,000 *l.*, and 5 per cent. on every further sum. The Committee submitted their views to the Vice Chancellor on each occasion, and it was with his sanction that the allowance was made.

1424. Was that for your own personal services, or did it include what was paid for your clerks?—No, it was for our personal services. There was a large establishment when the suspension took place, for the costs of carrying on business had been from 16,000 *l.* to 18,000 *l.* a year, and we could not terminate the engagements with those clerks, but they were kept on, as long as their services were requisite, at the salaries they had been having; the total paid to the liquidators for the services of their clerks during the whole period has been 12,619 *l.*, the charges being made according to the Chancery scale, which gives but a very small per-centage of profit, hardly sufficient to cover the risk of the employment, and because clerks or principals cannot work the number of days that I think it has been supposed they do. From the 365 days there are 52 Sundays to be taken out; 26 days for the Saturdays, which are only half days now; Christmas Day, Good Friday, four Bank Holidays, and vacation and illness (taken on the average), 14 days; so that there are but 267 working days; and if clerks earn on an average (which I believe to be the outside amount) 3 *s.* per hour, that is 24 *s.* a day, the principal clerk would earn 320 *l.* per annum. At that time I was paying one of my clerks 500 *l.* a year, another 400 *l.*, another 300 *l.* The second-class clerks are only allowed 2 *s.* an hour, and they can earn 203 *l.* a year. The third-class clerks are only allowed 1 *s.* per hour, and all they can earn, if they are fully employed, is 101 *l.* There is very little margin; in fact the margin of profit, assuming all the clerks in the establishment to be fully occupied, is about 20 per cent. to cover interest on capital and other charges. Now something was said by a witness as to large sums of money floating about; millions, he said (he could give no defined figures); and if the Committee will permit me I will tell them that under the sole control of myself or of my partners, or of our firm, there is not 2,500 *l.* There is no advantage, in my judgment, to us in having moneys under our control. In Overends we earned, by using the moneys belonging to the estate which we were not able to distribute (and which was spoken about by one of the honourable Members of this Committee, one of the Governors of the Bank of England, to one of the judges), 43,000 *l.*, as interest on moneys on deposit and in interest collected from debtors. The principal portion of that was from the moneys used; we lent the money on consols. Some observations were made by the Master of the Rolls which led to our calling in the money, and the bank rate advanced in consequence. Now, on the question of compromise with the shareholders,

Chairman—continued.

something has been said. The liquidator has no power whatever of compromising. Under a compulsory liquidation or a voluntary liquidation under the control of the Court, that is to say, under supervision, he must go to the Court, and the judge by himself, or by his chief clerk, signs the memorandum of compromise as approved. In a voluntary liquidation there must be an extraordinary meeting of shareholders before a debtor or a shareholder can be discharged.

1425. Have you any observation to make on that regulation?—I think that nothing can be better than that there should be an independent judgment as to the propriety of the compromise. The liquidator must investigate the case, and he must make an affidavit that in his opinion it would be beneficial to the company to accept the compromise; and until he does so the Court will not sanction it. Now with regard to another matter unclaimed dividends were mentioned as existing to a very large amount. I think the practice in most offices is to take as much trouble to get rid of the money when a dividend has been declared as is taken to get the assets in, because when you come to the final winding-up of the company any moneys not distributed are ordered to be paid into the Court of Chancery. The fund is there which persons can apply for afterwards, but they would have some trouble to get it out. The total unclaimed dividends which appertain to companies, which have been administered in our office at the present moment, are under 1,500 *l.*, and a very large proportion are moneys lying at the Bank of England, the cheques being countersigned by the chief clerk. The only money liquidators have for the payment of dividends are moneys where the dividends are but a few shillings; I think, under 2 *l.*, there is usually a cheque signed in favour of the liquidator personally. As a rule, I always pay dividends by cheque on the Bank of England, or other banks, if the account is not at the Bank of England, whatever the amount may be, even if it is as small as 2 *d.*

Mr. *Chadwick.*

1426. Then you do not believe that it is true that some millions are lying in the hands of liquidators and others?—I have no actual knowledge, but my experience and such common sense as I have tell me that it is impossible that it can be so. I have taken the trouble to make inquiry as to the amounts in some liquidators' hands. I doubt very much if there is 20,000 *l.* in hand from all the liquidations, of undistributed or unclaimed dividends; but, if I may be permitted to suggest it to the Committee, that can be ascertained by the next return, requiring a statement as to the amount of unclaimed dividends, and where the money is. A return is made to Parliament, I think, every year. The Bank of England, unfortunately, will not open an account for a liquidator in the name of the company, unless it be under a compulsory liquidation, or a liquidation under supervision; but an account is opened frequently with initials to it, by which the moneys are earmarked. I have always considered it would be a very inconvenient thing for death to take place and moneys be treated as belonging to his estate; this executors would have to pay probate on them probably; the moneys could not be got out easily; therefore. I have moneys earmarked by the initials

Mr. *Harding.*

28 June 1877.

Mr. *Harding.*

28 June 1877.

Mr. *Chadwick*—continued.

of the estate or company. Whenever a judge is asked to sign cheques or order payments, he has evidence as to the moneys in the Bank of England; he has a certificate of the balance at the Bank of England from the Bank of England. All the cheques drawn on the Bank of England are sent from the Bank of England to the Court; they do not come into the hands of the liquidator again; the pass-book is produced with the liquidator's account of receipts and payments, and that shows when the moneys were paid in; in fact, the Court acts on the principle of no confidence. The affidavit of the liquidator, in passing his account, is to the effect that his account contains an entry of "every sum of money received, and of all interest, discounts, and accretions in respect thereof, received by me or allowed to me, or received by, or allowed to, any other person or persons by my order or to my knowledge." Every shilling received is paid into the bank, and every payment is made by a separate cheque. The point that seemed, as I gathered, to press on the Right honourable Chairman the other day, was that there is great elasticity in the mode of charging by time. It is some years, I am sorry to say, since I was able to work more than seven or eight hours a day; and with respect to the clerks, there is no elasticity. Every clerk in my office has on his diary a notice that his entries must be made accurately, and that he must be prepared to verify them by affidavit. In the early period of liquidations there was a taxing master (we termed him so and considered him so); the Master in Chancery used to refer the accounts to a gentleman now dead, a Mr. Barwise, and he had the diaries produced to him in the same way as the taxing master in a court of law would require the letter book and other evidence from solicitors.

1427. You mean that he was a taxing master in relation to the charges of liquidators?—Yes.

Chairman.

1428. Have you any suggestions to make for the improvement of the system?—I had the honour of an interview with you, sir, and with Mr. Fitzroy, when you were at the Board of Trade, when the Limited Liability Bill was first introduced, and my experience led me to remark that I feared there would not be sufficient protection found in that measure for the general public. Your view then and the views of the Government you stated were that the Government could not be paternal in such a measure; and I venture to think now, as I thought then, that a little more stringency would have saved a very large amount of money.

1429 That is gone; can you suggest any thing we can do in the future?—Yes; I do not think any registration of companies should be permitted unless the memorandum of association has been subscribed, I will use the word *bonâ fide*, for at least one-fourth of the proposed capital.

1430. That the seven persons who sign the memorandum should take up a fourth of the capital?— That the memorandum should be signed in respect of one-fourth of the proposed capital. You must have seven people, not less; but you may have 20 persons to sign it, but I would say that it should be one-fourth at least.

1431. Why do you think that requisite?—I think there would be fewer bubble schemes brought forward. I have been able to test it recently. Some gentlemen of position, some merchants in the city, were desirous of forming a company, and they called upon me with reference to it. I said, "Well, if you can procure the signatures of people holding such positions as yourselves for 150,000*l.* to the memorandum of association, the scheme, I think, will succeed;" and that, I think, will be attempted. I do not think a company should be formed unless something of the kind is done. I think that would check the promoters who have done certainly a great deal of mischief.

Chairman—continued.

1432. Why do you think this ought to be done, that there should be such a large sum subscribed?—Because at the present moment you may send a memorandum to the registrar's office which is signed by seven persons, not one of them perhaps worth 5*s.*, and you have then formed a company, upon which those who desire to plunder the public can trade.

1433. What is the objection to that; you and I can form a partnership, and not be worth 5*s.* now, cannot we?—Then it would be an unfortunate thing for those who trusted us.

1434. You do not prevent that in private partnerships?—You do yot give them the benefit of registration and publicity.

1435. That only makes these companies known; it does not give any assurance of their being good for anything, does it?—I am afraid it has had that effect in many cases, of enabling persons to obtain money on the representation that a company has been formed for a certain purpose.

1436. Do you really think that it is possible to protect people who are so foolish that they go into a company where they merely see people's names to it, without knowing what they have subscribed, or whether they are solvent?—I can reply to that question by an illustration. The railways have a notice up, "Do not cross the line, except over the bridge;" it might be said that everybody knows it would be dangerous to cross the line; but persons do so sometimes even where there is a bridge. Safeguards do no harm if unheeded.

1437. Is that a parallel case?—I think so. Then another point is, that I think directors should be required to hold at least 10 per cent. of the capital, up to half a million of capital.

1438. Why?—Because the greater portion of the mischief which has occurred has been, I think, from want of management, and the fact that the directors have not had a substantial interest in the concern.

1439. Cannot the people who want to put into the company judge of that for themselves; and if they see that the directors have only a small interest, why should they not put in their money if they choose to do it?—The public have not looked into that.

1440. Why should they not be allowed to do as they like?—Then I would venture to say that it is not desirable to have an Act of Parliament at all.

1441. Why so?—Because it is delusive; the Act of Parliament is not read by the million; they assume, wrongly, that the company is formed with certain restrictions, and that the persons forming it are amenable to law.

1442. So they are, are they not; we are all amenable

Chairman—continued.

amenable to law?—Yes; but the public trust to a protection that they have not, and they lose the money.

1443. But the law does not hold out to them any protection, does it?—No, not when it is examined. It is a delusion; they fancy it is something more than they have.

1444. Would it not be a much greater delusion if the law were to hold out to them that certain rules, of the kind which you suggest, would be a protection to them?—I think not.

1445. Cannot people be very effectually swindled in companies which comply with those provisions?—I think if all contracts entered into prior to or incidental to the formation of the company had been registered, there would not have been so many disasters.

1446. You approve of the policy of the Act of 1867, I suppose?—I do.

1447. You think it ought to be carried further?—I think the greater publicity the better. If I am going into a partnership, I ask for and should expect to have the fullest information. Taking shares in a company seems to me to be always looked at as a different thing. A man does not stake all his money; and seeing two or three names which he has been accustomed to treat with respect, he is led away.

1448. But if he likes to risk his money on that why should he not?—You prevent betting, and interfere in many ways with the freedom of the distribution of money.

1449. But that betting is gambling?—So is taking shares, in many instances, and nothing else.

1450. Do you not think that such regulations might prevent a great many valuable concerns being started?—No.

1451. A poor man might have a very good invention, the carrying out of which might be entirely prevented by such regulations?—If it is a very good invention you will find some one who believes in it, who will put in some money into it.

1452. But it must be a very large sum of money according to you, I understand?—Ten per cent. on the capital. If the capital is to be 20,000 *l.*, it is not too much to ask the directors to show their confidence by staking 2,000 *l.* in it, because they are to have the administration of the affairs. The one measure has been tried; the other has not been tried. I do not think the disasters could be greater with a little more protection and publicity, if so great as they have been. I am speaking from experience extending over many years; I have seen very many painful cases, resulting entirely from misplaced confidence.

1453. Are you not a little like an Old Bailey advocate, who sees all the worst side of mankind; that is your occupation?—No.

1454. Your business is with things that have failed; you are not called in for those that succeed?—I act frequently as auditor to companies which are going on and paying dividends out of moneys earned; therefore, I see those which are successful, as well as those which are unsuccessful.

1455. Of course, in the same way you would disapprove of partnerships *en commandite*?—No; there there would be some partner who would put in a substantial amount of the liability; you have a liability there which would induce more care than is exercised by directors as a body.

Chairman—continued.

1456. Would you require that he should put in a certain amount; would you have your law extended to that?—If he is to be a sole manager he should; or I would make him a paid servant.

1457. Would not that be a very desirable thing in private partnerships too, that people should put in a certain sum of money?—Yes.

1458. Do you think we can legislate that people must put in a certain sum of money into them before they begin?—No; that is a question between the partnership so formed and its creditors; money is not obtained from the public. The creditor supplies his goods upon the credit and reputation of the persons forming that partnership.

Mr. *Gregory*.

1459. You were speaking about the extent to which people went into these joint-stock companies, I think. Now, when a man goes into a partnership under the common law, he knows very well that he is risking his whole substance, to the extent of the last shilling?—He does.

1460. He makes inquiries accordingly?—He does.

1461. Investigates accounts, and ascertains the state of the business?—Yes.

1462. Going into one of these companies he goes into it under what is called the Limited Liability Act?—Yes.

1463. And under the name of a company, limited?—Yes, and that word "limited" has been a delusion to many.

1464. That is just what I was going to ask you; as the result of your experience, have not many persons been misled by the use of the word "limited," as applied to these companies?—Yes.

1465. And you find that in your experience in winding up companies?—Yes. In Overend & Gurneys, the shareholders constantly stated, "We were assured that not more than 15 *l.* was to be called up." But, practically, in very many cases, limited liability is unlimited to the persons concerned.

1466. That is what I was going to ask you; so small an amount is paid upon the shares, and so heavy a sum is the nominal amount, that the liability is practically unlimited?—It is.

1467. And you consider that Parliament, in holding out that, has tended to delude people; is not that so; you consider that Parliament, in giving the name to these companies of limited liability companies, has tended to foster a delusion in the public?—It has enabled persons to take advantage of the Act of Parliament.

1468. To hold out false expectations?—Yes.

1469. Now has it come across you to look into the qualifications of the directors of these companies?—It has.

1470. And have you found many cases of what are called "found qualifications;" that is to say, qualifications provided for directors?—I have not found many; but then I have not had many appointments since 1870. I have had, I think, but four companies, and those small ones, since 1870. The system has been somewhat different since then.

1471. You think that that system of providing qualifications is rather checked now?—Yes, I should think so, at the present moment.

1472. Now one of the witnesses has said that the

Mr. *Harding.*

28 June 1877.

Mr. *Gregory*—continued.

the amount of liquidation business is falling off, and he thinks that it is not likely to increase; you have had considerable experience in the City of London in the management of business, I think?—I have.

1473. I do not know whether you are old enough to recollect the panic of 1825?—I am happy to say I am not.

1474. You recollect, I daresay, several other convulsions of that kind during your experience in the City?—Yes.

1475. And that has brought a great deal of bitter experience to people?—Yes.

1476. Have you not found that, after that experience has passed away, speculation has broken out again just in the same manner?—In the course of a few years the wealth of the country has been increased by profits, which persons are desirous of employing, and they are open to the temptation of something that will pay them a good interest.

1477. And we must contemplate, I suppose, the continued formation of companies under this Act, and continued liquidation for the future?—I see no reason to doubt it.

Mr. *Chadwick.*

1478. You have got the Bill (No. 2) for the Amendment of the Companies Acts before you, I think?—Yes.

1479. I should like to ask your opinion as to the clauses of that Bill, having reference to your experience; referring to Clause 4, do you think it desirable that we should require all the information therein specified to be set forth in the prospectus of any new company?—I see no objection to the fullest publicity. If you ask me for my money, I want information as to the reason you are asking me for it, of the fullest kind.

1480. And do you suppose that with any honest respectable company, such a report as the information specified in Clause 4 would be of the slightest disadvantage?—No, on the contrary.

1481. Its effect would only be to prevent bad and weak companies that ought never to be formed, from being established?—That would, I think, have checked some things that have taken place.

1482. With regard to Clause 5, I think you have said that you would require 90 per cent. paid up; this clause requires only two-thirds of the amount of the capital to be paid up, but you would require 90 per cent.?—No, I have not spoken upon that clause at all.

1483. Do you approve of Clause 5?—I see no objection to it at all.

1484. Now coming to Clause 6, do you approve of that, that notice of the first allotment of shares should be sent to every shareholder, so that he would know with whom he was to be associated?—Yes.

1485. And would you make an addition to that clause, giving to each shareholder knowledge of the number of shares held by his co-proprietors?—Yes; as a partner in the concern, I think I am entitled to know what interest my co-partners have.

1486. Then as to Clause 7; having regard to the advantages which the public have derived from a fixed form of balance-sheet in railway accounts, building societies' accounts, and insurance companies' accounts, do you think it

Mr. *Chadwick*—continued.

desirable that Parliament should prescribe some fixed form of balance-sheet, which should be sufficiently elastic to meet the generality of cases?—I think there should be a balance-sheet in a form to be prescribed; but I prefer the balance-sheet in a previous Act of Parliament to the form which is set out in the Bill here.

1487. You mean that balance-sheet which they adopted in Form A. under the Act of 1862?—Yes; I do not see any information which can be given by that balance-sheet which any company could object to.

1488. And with regard to the form of the profit-and-loss statement in the Bill before you, what do you say?—I do not like that profit-and-loss statement. I would have a profit-and-loss account which should give the fullest information; but that one in the Bill is a little confused.

1489. This profit-and-loss statement is for bringing down gross profits, and then showing how they are distributed in interest, dividend, and management?—Yes, but you introduce, "Expenditure on account of capital;" which is different to expenditure on account of revenue.

1490. But this is a profit and-loss statement, bringing down the gross profits, you see, and it says: "Expenditure on account of capital and management during the year," namely, in interest and cost of management?—I understand it now.

1491. You see the gross profit of the company is brought down; this is exactly what we have done in the case of a bank balance-sheet?—You mean by that word "expenditure," interest and dividend.

1492. Do you not think it desirable that the profit-and-loss statement should set forth in every company the cost of management?—Yes.

1493. It is very seldom done?—Yes, usually.

1494. You think that a fixed form of balance sheet should be adopted, but you prefer the particulars in the Act of 1862 in the Schedule A, as I understand you?—Yes.

1495. With regard to Clause 8, do you approve of that clause, which requires every company to call an annual meeting, and to present a report of their proceedings. This clause gives power to every shareholder, by a simple summons, to enforce that?—To compel the production of a balance-sheet. Yes, I approve of that.

1496. As to Clause 9, you are aware that by the Act of 1867 power was given to reduce capital in certain cases?—Yes.

1497. But there was an omission, by not giving power to extinguish paid-up capital, so that a company, having made losses, might, as in a private firm, reduce their paid-up capital accordingly. Do you approve of that clause?—Yes, it being fully stated, of course, in the accounts that the reduction has taken place.

1498. In regard to the liquidations, you have stated some of the evils in connection with the appointment of liquidators in such cases; you have known of one or two cases where there has been a sale of such an appointment?—I cannot say that I know of a sale, but I have spoken of one or two cases where it has been proposed; and I am sorry to say that I am familiar with more.

1499. You believe that there are more?—I believe it to be more a custom now than it was 10 years ago.

Mr. *Chadwick*—continued.

1500. Do you believe that the dishonourable practice of a division of profits by the liquidator with the solicitor having charge has been at all a common practice?—Not a common practice, but a practice.

1501. To some extent?—Yes.

1502. In the case of what proportion do you think of all liquidations; would you say in the case of 10 per cent. or 20 per cent.?—I cannot tell you the proportion; I have not gone into that.

1503. But you know some cases where the solicitors have actually stipulated for a proportion of the charges of the liquidator?—I know that solicitors have applied to me to give them a proportion, and because I have declined to do so, the business has gone elsewhere.

1504. You also know that there has been something like a race for the appointment of liquidator, and that some great inconvenience has been caused occasionally; what is the remedy you would suggest for that?—I have given that subject a great deal of consideration, and I have come to the conclusion that one judge should have liquidations attached to his court, with such a number of chief clerks to attend to the winding-up matters as might be found requisite. The only inconvenience I can see there might be is, that if there were not a great press of business in liquidations he might not be fully occupied, because there is not so much Court business now as there was a few years ago. Then I think the system of the appointment of liquidators should be changed. I think one honourable Member asked a question the other day as to whether the appointment of salaried officers would not be desirable. The same question was put by the late Master of the Rolls, Lord Romilly, to some of us when we had the honour of an interview with him on the subject of the system which was then pursued; but it was seen that there would be many inconveniences attached to the appointment of persons with fixed salaries. I think that the evils which do exist would be corrected, and a more uniform practice would be ensured, if a list were made of 10 or 20 names, or such number as might be found necessary, of persons who were known to be experienced and qualified, and that from that list the liquidator should be selected and appointed. Those persons might give security to the Court for at least 10,000 *l.* each, and in a general Bond, which would cover every matter that passed into their hands. I do not think that there would be then anything like the delay which takes place in liquidations, and necessarily takes place. Perhaps the word "delay" is hardly the proper word; I should rather say, the time that is occupied under the present system. If I wanted an appointment in the Judges' Chambers now, it is very doubtful whether I should get it before the end of July, even for a small matter.

1505. Even the passing of a cheque?—Unfortunately, in some of the Judges' Chambers the solicitor is required to attend, or his clerk, whenever a cheque is required; and the system at the present moment is so different from what it was formerly, that a much greater amount of time is wasted, and always will be, if the system is to be pursued. I go to the Court to attend an appointment for 11 o'clock, and perhaps that appointment does not come on until 12 or half-past 12. No one is supposed to be to blame, because the preceding matter or matters have taken a much longer time than was anticipated. Then, going to another point, I would have a committee of supervision in every case, either two shareholders and two creditors, or a shareholder and a creditor, who should have always the opportunity of coming in without any solicitor to see what is going on. Then, I would also have notice of the intention to appoint a liquidator sent to every shareholder and to every creditor by post, in the same way that you send notices to creditors in bankruptcy, that assignees or trustees will be chosen on a certain day.

1506. But if I understand your suggestion, it is that there should be some such system as that adopted by the Board of Trade in their references and arbitrations; they select a certain number of valuers, and they are appointed; I understand you to say that you would recommend the Court to select a certain number of accountants, from which list a liquidator should be appointed?—I think that would be found to be the best remedy.

1507. And under that suggestion it would naturally follow, would it not, that you would do away with official liquidation altogether, and make all liquidation to be liquidation under the direction of the Court?—What do you mean by official liquidation, may I ask?

1508. I mean liquidation under the direction of the Court, compulsory liquidation?—I see no advantage to be gained by compulsory liquidation. I can go to the Court and have audience of the judge, in a voluntary liquidation under supervision, without the slightest difficulty, and so can any person interested.

1509. Do you see any objection to making every company in liquidation bankrupt; why should they not be bankrupt, as well as a trading concern; do you see, in fact, any objection to extending the operation of the Bankruptcy Court to all liquidations of companies in liquidation?—It would depend entirely upon the manner in which the Court was constituted before I could say whether I should consider it satisfactory; at present I do not think it would be satisfactory. Besides, you may stigmatise a company as bankrupt which has not only 20 *s.* in the pound for all its creditors, but has a large amount of capital not required.

1510. Has it come to your knowledge that many cases of hardship have resulted from the operation of that clause in the Act which gives creditors power to serve 21 days' notice of a petition for liquidation?—Very few. Of course, every Act will be open to some slight abuse, occasionally.

1511. You were good enough to volunteer to give us some information respecting the number of liquidations managed by members of your firm. Are you aware that a return ordered by the House of Commons last Session could not be complied with, a return which asked for the full particulars of all the companies in liquidation, showing their liabilities, their assets, the amount in hand, the cost of liquidation, and the estimated time required to complete the liquidation. May I ask you this question in connection with those in your own office: would there be any difficulty, if Parliament asked you, in making a return to give such information?—I think such a return has been made year after year.

Mr. *Harding.*

28 June 1877.

1512. No,

Mr. *Harding.*

28 June 1877.

Mr. *Chadwick*—continued.

1512. No, it has not?—A return is made.

1513. No return giving this information is made; and the answer by the chief clerks is, that it is impossible to make it out in consequence of their not having the materials at hand; but you see no difficulty in it?—I see no difficulty in making such a return.

1514. And you would willingly give that information for all the cases in your own office?—Certainly.

Mr. *Sampson Lloyd.*

1515. I think you said that Parliament, in establishing the term of "Limited Liability," or rather in regulating the system of Limited Liability Companies under what is called the Limited Liability Act, had held out false expectations to the public. Now, is it not the fact that there is nothing new in the limited liability; have not all companies which are established by Act of Parliament, or by Royal Charter, always been limited to the extent of the capital subscribed?—Chartered companies, and all companies established by Act of Parliament.

1516. Therefore there was nothing new in what Parliament did in establishing limited liability?—It was not easy to get a charter, nor easy to get a company formed by an Act of Parliament.

1517. My point is that, whether limited liability was right or wrong, it was not established by that Act, and is nothing new to the legislation of this country?—No.

1518. Are not all private firms limited some way or other; is not every human being, or collection of human beings, to whom you give credit, limited by the extent of their means?—Yes; but that is not satisfactory if you go into a company not prepared to lose everything.

1519. But is it not more satisfactory to anybody who trusts a congregation or corporation of human beings to have their liability distinctly defined and published, so that he can get at it, than to trust a firm which is also limited, but of whose capital and credit he knows very little, and at which he cannot get?—Certainly.

1520. Are not unfortunate creditors quite as legitimate objects of sympathy as unfortunate and speculative shareholders?—No doubt; but I think that there is not one case in 20 where the creditor loses any money, and there are no cases where the shareholders do not lose very large sums.

1521. That is to say, that only 5 per cent. of debts become bad, I presume?—The capital in a vast number of cases is sufficient to pay the creditors all their money.

1522. The question of "found qualifications" for directors was alluded to, and you said you had not found many instances of found qualifications; what do you mean by a "found qualification"?—I said that I had not had many companies where that was the case.

1523. Have you not known many instances where a present, an allotment of stock which is at a large premium in the market, is made to a director at par?—I have known cases of that kind.

1524. And is not that just as much a "found qualification," to the extent of the premium, as if a small amount of stock had been given him for nothing at all?—It is an inducement to a man to take the position of director

Mr. *Sampson Lloyd*—continued.

1525. And you would think any inducement of a pecuniary kind, beyond the proper fees, to a man to take the position of director, is objectionable?—Yes.

Mr. *Rylands.*

1526. I do not gather from your replies that you object to the Limited Liability Act?—Certainly not.

1527. You simply pointed out that in consequence of the use of the term, there are many people in this country who have rushed into limited companies, and have been deceived in supposing that their liability was not as great as it really was?—They have been under an erroneous impression.

1528. Still you do not consider that that is a matter which would justify or require any alteration of the law as far as the constitution of limited companies is concerned?—No, I would only have more protection for the shareholders.

1529. But you would not have protection obtained for the shareholders by altering the condition under which a given proportion of capital, and a given proportion only, is subscribed, and their responsibility limited to the other proportion not subscribed; you do not propose to alter that?—No.

1530. The honourable Member for Sussex asked you about panics arising from the disposition on the part of the public at various times to rush into enterprises and speculations, and you stated that you remembered several of the recent panics?—Yes.

1531. I daresay you will bear me out in the belief that on each successive panic the origin of the panic assumes an entirely different shape?—Yes.

1532. It takes quite a different direction?—Yes.

1533. And very often an entirely unexpected direction?—Yes; but the result being very similar on every occasion.

1534. The result being that there is a great loss, and very often evidence that people have taken fraudulent advantage of inexperienced persons?—In many cases.

1535. But you do not suggest anything in the nature of an alteration in the Limited Liability Act, to prevent the recurrence of these unfortunate periods of panic?—It is impossible; you might as well seek to legislate against the high prices of coal.

1536. I suppose you think that, whatever Parliament does, there will be a crop of fools every 10 years who will rush into unwise speculations?—I am afraid that will be found to be the case.

1537. Then, while you entirely approve of the main principle of the Limited Liability Act, you are anxious to find some means by which the public may be protected from persons taking an advantage of the Act to commit fraud?—Yes.

1538. And you think that that could be done by securing that at the establishment of the company there should be no doubt, either as to the basis on which the company is established, or as to the people who form part of that company?—I think it is essential that there should be, on the formation of a company, something substantial, and that the men who are to have the conduct of the concern should have a substantial interest in it.

1539. Would not that reply which you have just given point to the opinion, which I gathered

you

Mr. *Rylands*—continued.

you expressed, that while you would not object to the directors having some little advantage in the taking of shares at par, you would insist upon their having an absolute interest in the company, so that in carrying out the business of the shareholders they should also be carrying on a business from which they would derive profit, or loss?—My view is, that unless they are carrying on their own business they have no right to be on the board as directors.

1540. That, in point of fact, a mere salary paid to a man who has no practical interest in the company is only a deception of the shareholders?—It is a waste of money in the payment of the salary, and is in many cases the cause of very large loss to the shareholders.

1541. You would consider that while it should be insisted upon that the directors should have a certain qualification, it is quite sufficient for the protection of the public that that should be set forth in the document establishing the company?—Yes.

1542. Then we come to the shareholders. I understand you to be quite of opinion that within a certain period of the allotment, unless a certain portion, and a considerable portion, of the sum offered to the public is taken up, the allotment altogether should become nul and void?—The company, I think, should cease to exist if a large proportion, say three-fourths, of the capital had not been subscribed within a limited time, at least in certain cases.

1543. That would at all events put a stop to a great evil which has been experienced during the last few years in connection with limited liability companies?—I think it would in a great measure.

1544. And you think also that another means of preventing the evils of which we have had to complain, would be secured by the publication, within a certain period of the formation of the company, of a full list of the shareholders, with the amount of the holdings that they had in the company—I think so.

1545. Would you not be of opinion that, after you had surrounded the establishment of these companies with these safeguards, then you should leave them, as far as possible, to their own management, without State interference?—I do not think State interference is necessary.

1546. That, in fact, the evils of which we have had to complain have been in by far the greatest number of instances evils arising out of frauds connected with the establishing of companies, rather than in the fraudulent carrying on of the companies after they had been established?—There have been very few frauds after the companies have been in existence for a twelvemonth.

1547. You mentioned, did you not, in reply to a question which was put to you, that you would be disposed to consider that companies in liquidation might be brought under a bankruptcy law?—No, I did not say that.

1548. You do not approve of that?—I do not.

1549. You are quite aware that there are certain companies in liquidation, as to which it would be a most monstrous thing to treat them as though they were bankrupt companies?—I say that there are companies having not only sufficient assets to pay their creditors, but a large surplus; and to designate them as bankrupt would be to stigmatise them improperly.

1550. You are aware that at the present

Mr. *Rylands*—continued.

moment, if such a company as you have just been describing goes into liquidation, and a company which is absolutely bankrupt goes into liquidation, they appear to be taking precisely the same course, so far as the public are concerned?—Necessarily. I have had during the last six months to consider how two companies desirous of amalgamating can do so without dissolving or winding up, by which their credit, which is very good and very large, would be very much prejudiced, if not destroyed; and able solicitors and able counsel have seen no way of altering the memorandum of association; and the result has been an application for a private Act of Parliament to accomplish that which the Joint Stock Companies Act did not permit.

1551. But that would not be at all practicable in the case of smaller companies?—Impossible.

1552. And you are quite aware that there is a practical hardship in the fact that, owing to the cast-iron character of the memorandum of association, in any such arrangement as that to which you have alluded, companies are compelled to liquidate, in order to place themselves on a new basis?—Yes, they are.

1553. Do you not think that that is really a practical evil and disadvantage?—It is a great disadvantage.

1554. You are aware that, if a company, an operative company, a profitable company, were to sell its business to another company, it could not get out of existence, although it had sold everything it possessed, without being wound up?—It cannot amalgamate except by winding-up.

1555. Now, in the course of your consideration of this very difficult point, did it occur to you to suggest any practical mode, by means of a General Act of Parliament, by which this difficulty in connection with limited companies would be overcome?—I did not think it was probable that a General Act of Parliament could be obtained; but, as certain powers were essential for this company to which I have referred, which has, I think, 3,000,000 *l.* of capital, I suggested the application for a private Act.

1556. Then you have not considered by what means in a public Bill an arrangement could be made under which companies, not of that great magnitude, could amalgamate or wind up, and transfer their property without liquidation?—I thought if the memorandum of association were made elastic by the vote of the larger proportion, say nine-tenths of the shareholders in the company, that would be a means; then you must have the power by Act of Parliament to alter the memorandum of association.

1557. You are quite aware that in the management of limited companies the articles may be altered by special resolution, under the condition that the special resolution shall be passed at two successive meetings of the company?—Yes.

1558. And then registered with the Registrar?—Yes.

1559. And after that process is completed the articles are altered to correspond with the special resolution?—Yes.

1560. Would you consider it desirable that companies should be enabled to alter the memorandum of association, similarly by special resolution carried in the same way, but subject to the approval of the court?—Yes, but I would have a larger number of shareholders to vote for the

Mr. *Harding.*

28 June 1877.

Mr. *Harding.*

28 June 1877.

Mr. *Rylands*—continued.

alteration of the memorandum, which is the constitution of the company than would be required to alter the rules and regulations for the carrying on of its business.

1561. You would think that if five-sixths, perhaps, of the shareholders at two meetings passed such a special resolution, that would be sufficient, with the sanction of the court, to alter the memorandum of association?—Yes.

Mr. Serjeant *Sherlock.*

1562. You are aware that it is necessary that a memorandum of association should specify the object for which the proposed company is to be established?—Yes.

1563. It is to that particular part of the memorandum of association that reference has been made in the questions which have been now asked you by the honourable Member; it is with relation to the alteration of that portion of the memorandum of association that he has asked you?—Not as I understood; the alteration of the business, the changing the business of the company; that is not proposed.

1564. You are aware of the provisions of the Act, which direct what the memorandum of association shall contain; after stating the name of the company and other things, the third heading is, "The objects for which the proposed Company is to be established?—Yes.

1565. And that applies to all classes of companies?—Yes.

1566. Now, the alteration of that third item: "The objects for which the proposed company is to be established," save by an almost unanimous vote of the entire company, might lead to very serious injustice?—Certainly; but I said, I think, that I deem it essential that there should be a very large proportion of the shareholders voting in favour of any alteration of the memorandum of association.

1567. That particular alteration of the memorandum of association?—There, I think, the court would interfere. If I went into a shipping company as a shareholder, I hardly think the court would sanction my partners in that company taking me into a colliery against my will.

1568. You are aware, perhaps, that matters of the kind have been brought before the Court of Chancery, and that an alteration in the objects of the company in opposition to the memorandum of association has been held by the court to be *ultra vires*?—Yes.

1569. For instance, in the case of a company formed for the purpose of working an iron mine, which afterwards established a business in Belgium, the intervention of that Belgian business was held to be *ultra vires*, and contrary to the the statutable provision in the memorandum of association?—The directors had no power to do it.

1570. And, therefore, any power to alter what is a contract entered into on the establishment of the company ought to be given with very great reserve, and with very great care?—Certainly, and I thought the introduction of the Court of Chancery proposed by the honourable Member who preceded you was sufficient to ensure that protection.

1571. Now, you mentioned that in the case of Overend & Gurney the two liquidators were paid, I think, about 27,000 *l.* a-piece?—Under 27,000 *l.*

Mr. Serjeant *Sherlock*—continued.

1572. Something under 27,000 *l.*, but over 26,000 *l.*?—Yes.

1573. You mentioned that you could not terminate the services of the clerks of the establishment; do I rightly understand you to say that you could not legally dispense with the services of these gentlemen?—On the commencement of the winding up we found a large staff of persons who had been assisting in carrying on the business up to that date; of course, we could not displace all those persons immediately.

1574. But could you not have dispensed with a very large number?—We did. I think I stated that the expense of carrying on the business previously to the winding-up order had been from 16,000 *l.* to 18,000 *l.* a year.

1575. I want to know now what portion of the staff could be dispensed with?—Down to the 31st of December last, from the 10th of May 1866, the total amount paid to the secretary, and to the clerks of the company amounted to 22,627 *l.*

1576. I do not know that that is an answer to my question; I want to know what proportion of the staff of the bank you could and did dispense with, when they went into liquidation?—I thought that inasmuch as the expenses had been nearly 18,000 *l.* a year previously, to have reduced them so that the expenses for nearly 11 years came to 22,000 *l.* only, would be a sufficient indication. They were reduced as speedily as possible by notices on the ensuing quarter-day, and within the year more than half of them had ceased to be in the service of the company.

1577. I think you mentioned that your principal clerk was paid 500 *l.* a-year?—Yes.

1578. Of course he is a gentleman of great intelligence and great respectability, in whom you have the utmost confidence?—Yes.

1579. And to him you confide a very large portion of discretion, trusting to his respectability and intelligence in the minute details of the winding up?—He was not employed on that matter.

1580. Then he was not paid?—Not in this matter; I think that in our office at that time we had 40 clerks.

1581. You mentioned that your clerks were paid 12,619 *l.*?—We received for clerks' services from the 10th of May 1866 to the 31st of December 1876, 12,619 *l.*

1582. And then you went on to say that your principal clerk was paid 500 *l.* a-year; but he had nothing to do with this at all, I understand you, now?—I spoke of the salaries we paid our clerks, comparing them with the 3 *s.* 6 *d.* or 3 *s.* per hour allowed by the scale.

1583. That gentleman to whom you paid the salary had nothing to say to the winding up of that company at all; is that so?—He was employed occasionally, but we used the establishment for the first few months, as far as was practicable, only putting our own clerks in where their peculiar experience was valuable.

1584. I want to know is it not a fact that with the class of clerks that you have, gentlemen of great intelligence, you are yourself relieved from a great deal of personal attendance to the business of the winding up; is that so?—To some extent, certainly, by employing principal clerks I am relieved; I could not get through my work without.

1585. And you are obliged to confide in them

to

Mr. Serjeant *Sherlock*—continued.

to a great extent; in fact, you have the utmost confidence in their discretion?—As clerks; but the discretion of a clerk was not employed in this particular matter, it was too important.

1586. Were not your own actual duties limited to supervision?—Certainly not.

1587. Was not the work practically done by your clerks?—No. I will give you an illustration. The panic which you may know something about was very severe; it was a question one morning as to whether some eight or ten firms should stop payment, or not. I went to the Vice Chancellor to ask for permission to give time to some of those parties on their acceptances. The Vice Chancellor took the papers, the evidence which, as you understand, the Vice Chancellor requires, and the following morning he said: "Well, I think I must leave you gentlemen, who have commercial experience, to deal with these cases, because I see you will lose valuable time in coming to consult with me, and I am not a merchant, and great mischief may result." Now no clerk could exercise a discretion as to whether A B should have a month's time given him to pay 120,000 *l.*

1588. But then the exercise of that discretion, though it may have involved some responsibility, did not involve very great labour, did it?—It depends upon what you consider labour; brain work is very severe labour. I do not say it in egotism, but it needs experience that is not to be obtained in a few days, or in two or three years, to say what shall be done with a very large concern like that. The question of realising securities is another very important matter. Securities were held advisedly, from knowledge that we had acquired, and we held those securities for several years, and realised very large sums beyond what they could have produced at the time of the failure. Our clerks usually do the administrative mechanical work.

1589. And submit it to you when completed, I suppose?—They do it as they are directed to do it, and submit it to us when it is completed. The Secretary of Overend & Gurney's, who has been continued on (he has been there now for 40 years), received and has been receiving 1,500 *l.* a-year salary; his knowledge, acquired by many years' service there, was valuable, and produced very advantageous results.

1590. I presume that the system of superintending, or rather investigating, the accounts that you spoke of, by a taxing master, ceased when the old system of Chancery Masters was discontinued?—Yes, the chief clerks took the matter into their own hands.

1591. And they do not themselves tax the costs?—They examine every account, and, I think, are very unreasonable at times, some of them. Now, as you put the question to me, I will tell you what occurred to me last year. I was appointed to a small company just before the long vacation; it was a matter of very little value; as a matter of business I attended to it, and gave instructions what was to be done, as I was going away for my vacation; but it involved the lighting up for the Chatham and Dover Railway to the end of the year, and perhaps to March, as they had no means of lighting their own carriages; it involved the lighting up also of part of the South-Eastern system. I was appointed by Vice Chancellor Hall. It occurred (not a usual thing) that on the same day that the

Mr. Serjeant *Sherlock*—continued.

petition was presented to Vice Chancellor Hall, another petition was presented to the Master of the Rolls, which had the priority by a few hours. Upon that petition being heard, just before the vacation, the Master of the Rolls would not interfere with my position as provisional liquidator, but directed that I should continue to do what was requisite. When the vacation was over, the question of the appointment of an official liquidator had to be considered, and then the rule which the Master of the Rolls laid down was followed, and, as I was not the nominee of the original petitioner, I was displaced in January or February of this year, in favour of a gentleman who was the nominee of the original petitioner. I took in my account for it; it was under the smallest scale, where the assets would be under 5,000 *l.*, and where the principal clerks would be paid 2 *s.* an hour, and for my personal services by the day of eight hours I should get the award of 3 *l.* a-day. As I went away for two or three months, and one of my partners, a very competent man, did all that was requisite in my place, paid the wages and advanced money for the purpose of carrying on the concern, I took in a claim for the same amount of remuneration for his services that I was entitled to under the scale; but the chief clerk said, "No, your partner is not allowed to act as liquidator, and it is the rule only to allow partners the same remuneration that would be allowed to the principal clerk;" and so my partner was to be remunerated by a cabman's fare of 2 *s.* per hour. I did think that was carrying things a little too far, and I went to the Master of the Rolls; and in his discretion, and as the whole time did not amount to many days, taking the total of the half-hours and hours employed, the Master of the Rolls thought that the liquidator's partner, who was doing the work in his absence, might, under the circumstances, be paid at the same rate. So that the taxation of the liquidator's account does take place by the chief clerks.

1592. There was a principle involved in that which, if generally applied, might lead to very considerable abuse?—No doubt.

1593. And, therefore, whilst the Master of the Rolls thought that, in your case, the exceptional circumstances justified him in allowing the partner the same amount as the liquidator himself, he did not by any means intend that that should be drawn into a precedent?—I had to make an affidavit that I had gone abroad for my vacation, and that my partner did do the work in my absence. I stated that incident to negative the idea which seemed to be in your mind that there was not supervison or taxation of liquidators' accounts.

Mr. *Alexander Brown.*

1594. I understand that you and other liquidators take the position of really directing the concern in these liquidations?—We supersede, so far as power goes, directors and managers, but we avail ourselves wherever we think it expedient to do so of the information which all the parties can give us.

1595. For instance, when a certain creditor, whose bills are due, is to be allowed longer time, and he is unable to pay them, that is a question of commercial experience which you, as in the case you have just told us, would have to decide as it were upon your responsibility?—Yes.

1596. And that commercial experience is an

Mr. *Harding.*

28 June 1877.

Mr. *Harding.*

28 June 1877.

Mr. *Alexander Brown*—continued.

experience which of course it takes many years to acquire, as to the standing of a particular person A. B. or C. D.?—Yes.

1597. Consequently, do you think when you are conducting the liquidation of a company it is only fair that you should be paid for the experience which you have taken many years to acquire?—I think so, especially as the highest pay by time is 12 *l.* per day, and that where the assets of the company reach 500,000 *l.* Now, I think, in the 28 years that I have had liquidations in my office, the total number of companies exceeding 100,000 *l.* has been 12 only.

1598. And it requires commercial and business experience to know that you may trust A. B. and cannot trust C. D. in winding up any concern, and it is for that knowledge really that you are paid, and it is for the interest of the shareholders that some person having that knowledge should be appointed to liquidate the concern?—Well, it is natural that I should think so. Discretion is necessarily required in dealing with shareholders. Now, I think, I have got in as much money (Mr. Turquand is very similarly placed to myself) from shareholders as could be got in for the last 28 years, and I have never had to resort to execution against the person in 20 cases.

1599. I think you have stated in regard to the amount of money which has been supposed to be floating about in the hands of liquidators, that the total amount of unclaimed dividends in your hands never amounted to 1,500 *l.*?—I think I said under 1,500 *l.*

1600. May I ask, roughly speaking, how many companies were really involved in that amount?—I think about 14 or 15.

1601. On an average about 200 *l.* a company?—The average will not be 100 *l.* a company. I think the largest amount happens to be in one company where there has been a little delay in the settlement of the form of discharge which is to be given for the money, and I think that is about 900 *l.*

1602. I understood you to say also that in an amendment of this Act there should be three points considered; first of all that one-fourth of the capital should be taken by persons subscribing the memorandum; secondly, that the directors should be required to hold 10 per cent. of the capital up to 500,000 *l.*; and thirdly, that all material contracts should be set out in the memorandum and articles of association?—Yes, that they should be referred to in distinct terms in the prospectus, I think was the expression used.

1603. Would you have the promoters of companies hand in evidence to the registrar under affidavit that these three points had been carried out, before the company was registered?—I do not know what evidence the registrar now requires, but I think he should be furnished with sufficient evidence to satisfy him before he grants the registration of the company.

1604. That is to say you would make the registrar more than he is now; he is only an executive officer now, but you would give him some judicial power?—Yes, I would.

1605. As to whether that company should be registered or not?—Yes.

1606. Have you noticed in the evidence given before this Committe the opinion expressed by Mr. Morris upon this 4th clause of the Companies Acts Amendment (No. 2) Bill?—I do not remember the exact words, nor have I seen the print of Mr. Morris's evidence.

Mr. *Alexander Brown*—continued.

1607. With regard to the question of a balance sheet of companies, would you have every balance sheet sent for public inspection to the registrar of joint stock companies?—I see no harm in its being done.

1608. Do you not think that in certain cases where a company is starting and trying to get a business together, and where perhaps for the first 18 months or so they may not have succeeded in getting together a business, it would be very damaging to that company if the creditors had the power of seeing that they had been making losses?—I think that the creditors are entitled to the information if they have made losses. I do not know why a company should go on speculating with the money of the creditors if they are not entitled to the credit.

1609. But there are cases of companies having started, and having for the first year or two not succeeded in making any profit, and yet they were really *bonâ fide* concerns in honourable hands?—Those cases are not very numerous; and if the business is being conducted by able and honourable men, there will be no difficulty in those men getting the confidence of the persons from whom they require, either money or goods. I see no objection whatever to the fullest publicity.

1610. Do not you think that in the cases of companies which are not perhaps in very scrupulous hands, cooked balance-sheets would be put before the public?—That would speedily find its end. The thing could be done once, but not very often.

1611. For instance, in many businesses it entirely depends upon what amount of depreciation is written off the assets of the company to know whether or not a profit is made; do not you think that if they were not scrupulous, that certain proper proportion of the depreciation would not be written off, and thereby you would give the creditors a false impression as to the goodness of that company?—I should consider that anything like an insufficient writing off of the depreciation would be equivalent to misrepresentation, and the parties making that misrepresentation must take the consequences of it. If I trusted a company upon a statement that their assets were worth 10,000 *l.*, and when I wanted my money I found that that representation was untrue, and that there was not the money because the assets were not of that value, I should look to the persons who had made the misrepresentation.

1612. But the directors might have been acting perfectly *bonâ fide* in not writing off what would be a sufficient sum according to your view?—It is a question of *bona fides* always.

1613. Therefore, practically, you would have no security, it being only a question of *bona fides* by making those accounts public?—I think such a case as you have referred to would be an exceptional case; there would not be many, from what I have seen when auditing accounts.

Mr. *Orr Ewing.*

1614. You consider that the mode of forming public companies under the Acts of 1862 and 1867 might be improved?—I do.

1615. And you have offered an opinion that no company should be registered till at least one-fourth

Mr. *Orr Ewing*—continued.

fourth of the capital had been subscribed?—Yes.

1616. Did you mean by "subscribed" only subscribed, or paid-up?—I think I used the words "*bonâ fide* subscriptions." I would not take the signature of the clerk of the solicitor, as it is taken now by the registrar.

1617. The Right honourable Chairman said that that was not asked from private partnerships; but I suppose you consider that the cases are not parallel?—I think there is a great distinction.

1618. Private partnerships do not ask the public to take shares?—A private partnership does not ask the public for any money.

1619. And they are not limited in their liability?—They are not limited in their liability.

1620. And the parties can select whether they do business with them or not, according to the position which they hold in the commercial world?—Yes; and there is something more; those partners are amenable to the law of bankruptcy; directors of joint-stock companies are not.

1621. A company formed under these Acts derives a certain status which induces simple people to take shares who have not the means of obtaining information as to their character and position?—Yes; there were upwards of a 100 persons in Overend & Gurney's who were clerks, servants, and persons of very small means; to give the exact figures there were 137 domestic servants and clerks, and persons of very small means who would not have the opportunity of inquiring into those things.

1622. And people in the country are induced to take shares by seeing one or two names, especially of a Member of Parliament, or any other person holding a good position, whose name has been obtained for a decoy duck; they are induced to apply for shares in the company in which they may see such names?—They were in the habit of placing confidence in such names.

1623. You think it is a little shaken now?—Yes.

1624. And how has it been shaken?—By the results.

1625. You suggested these alterations in these Acts from your knowledge of the sad disasters that have taken place, from the numerous failures that have occurred by the floating of fraudulent and bubble companies?—By the floating of schemes where the persons who had the administration of the business had no substantial interest in their conduct.

1626. And which were really fraudulent concerns?—No, I would rather say that many men get into trouble from being over sanguine, and the word "fraudulent" would hardly apply to them.

1627. Not to all; but you have known concerns that have been fraudulent in their formation?—If you mean fraudulent in the inception, I cannot call to mind any case, unless it be fraudulent to this extent: that the company is got up, not for the legitimate object which is alleged, but for the benefit of the persons who are getting it up, and who are to go on the board.

1628. For instance, we have heard of a company which was formed by seven shareholders having one share each, and the amount subscribed was only 1 *s.* per share?—Yes, I saw a list of subscribers to a memorandum of association registered within the last three weeks, which was very little better.

1629. You are of opinion, are you not, that when an Act of Parliament grants a privilege to a public company to trade upon limited liability, the public should be protected by every possible safeguard?—That is very wide. I think you must leave the public to do something for themselves; but you may, in the inception of a company, have certain restrictions, so that persons should not hold themselves forth as associated together for the purposes of trade, unless they have some means to trade with.

1630. My question is with regard to the formation of the company?—I am speaking of the formation; I would not have the company registered until there was something substantial about it in the way of capital, and it should not go on unless there was; I think I said three-fourths of the capital actually subscribed.

1631. Would you not suggest that there should be an interim and a final registration?—That might be well; but I think there should be no difficulty in obtaining signatures to the memorandum of association in any *bonâ fide* scheme.

1632. Do you think that the providing of those safeguards would prevent, to any extent, the formation of *bonâ fide* companies?—No, certainly not.

1633. But rather encourage the formation of such companies under these Acts if there were less disastrous results?—I think it is probable that the objects which the Act intended to effect would be effected to a greater extent.

1634. Are you aware whether many companies have been formed under these Acts to carry out new inventions?—Some companies have been formed for the purpose of purchasing patents.

1635. Not many?—Not many; and for the supply of capital; but they are not numerous.

1636. The right honourable Chairman seemed to fancy that there were a very large number of companies started for the purpose of carrying out inventions; that is not so, as I understand you?—No.

1637. And that any restrictions in the Act would prevent these poor men from getting companies up; that is not according to your experience?—No, I think if people of experience will not assist a patentee, the public, who have very little knowledge of the subject, ought not to have the temptation before them without some safeguard.

1638. As to the appointment of liquidators, you are aware that under the bankruptcy law of Scotland, the creditors have the power of appointing a trustee for the winding up of the estate?—Yes.

1639. Would you not give the same power in the case of limited liability companies, that the creditors should have the power, where the estate is likely not to pay 20 *s.* in the pound, and that the shareholders, failing the creditors, should have the power of selecting a liquidator?—The creditor is entitled to be heard by the court on the appointment of a liquidator; and it was always the practice for many years, till the change in the system which I complain of, to hear the creditors, if they thought fit to attend, as to the appointment of the liquidator. In some cases I have had a creditor's representative associated with me, who has been a party to every compromise, joined in the evidence that was required by the judge before

Mr. *Harding.*

28 June 1877.

Mr. *Orr Ewing*—continued.

before the judge would sanction it, and has been conferred with, and taken a part, and a substantial part, in anything which required a decision affecting the interests of the creditors.

1640. You are aware that in Scotland there is a committee of creditors appointed to aid and advise the trustees in the winding up of a company?—It is the same in England now; frequently in bankruptcy there is a committee of inspection appointed to act with the trustee.

1641. Would not that be a good system for estates under liquidation?—I think I stated, in answer to some question previously, that I considered it would be desirable to have a committee, either of one shareholder and one creditor, or two shareholders and two creditors in every case.

1642. You would not limit it to that?—No, I would not limit it to that.

1643. You would allow the parties themselves to appoint them?—Yes, but the Court of Chancery rather demurred to continuing the system of appointing the creditor's representative, because he always attended by a solicitor, and was frequently heard by counsel, and the costs were very much increased by that system; whereas in bankruptcy the trustee has a solicitor, not his own solicitor, but the solicitor to the estate, who advises the inspectors and the trustee, and I can see no reason why the same system should not be carried out in this case; for the solicitor is not the personal solicitor of the liquidator, he is the solicitor to the estate, and he is bound to advise those who are interested in the estate; the liquidator is the administrator, having no personal interest, except to do the best he can for his own reputation, and for the emolument which will be awarded to him.

1644. You were asked by an honourable Member whether you did not think that when companies were formed under the improved system which you have suggested, or which has been suggested by other witnesses, the companies should no longer be under the control of the State; in what way are they under State control at present?—Unless it be by the necessity of sending in a Return to the Registrar every year, I do not know that the State exercises any control.

1645. But you surely would not make any alteration in that?—No; on the contrary, I have suggested that a balance-sheet in a particular form should always be filed.

Mr. *Knowles.*

1646. While we are on this point, let me ask you, do you think there would be anything objectionable, supposing a company was to be wound up for the benefit of the creditors, if, after getting, an order to wind it up, the majority of the creditors should appoint their own liquidator, fixing the amount of his remuneration, and also the amount of security they would require from him?—No reason against it whatever. If the assets will not pay 20 *s.* in the pound, then, in my opinion, it is a creditor's matter entirely.

1647. Assuming, then, that it is a winding-up case by the shareholders, do you see anything objectionable in the liquidator being appointed in a similar manner by the majority of the shareholders, after getting an order to wind it up?—No, I do not. I think in some cases a majority of the shareholders is obtained in a very unsatisfactory manner, and that there should be a supervision over the appointment. I think that in all cases an independent person is the best able to say who shall be appointed, and that a Judge in Chancery is a very fit person to exercise discretion.

Mr. *Knowles*—continued.

1648. If there were any dissenting shareholder, he would have an opportunity of opposing the order for winding up?—Yes.

1649. Then, that would be an independent judgment, would it not?—They are two distinct things; the order to wind up is pronounced, and the appointment of a liquidator takes place afterwards.

1650. But after the order is got for winding up, whether by shareholders or by creditors, do not you suppose it would facilitate the business of winding up a good deal, and lessen the cost, if either the creditors in the one case or the shareholders in the other (I am speaking of majorities) had the appointment of liquidator, and fixed his remuneration as well as the guarantee that they would require?—There is no doubt that in many cases it would work very well.

1651. Do you see any particular reason why it would not work well in all cases?—In Overend's case the liquidators were appointed by the votes of shareholders and the appointment was approved afterwards by the judge; the committee of shareholders settled what their remuneration was to be subject to the approval of the judge, and the judge then heard them, and did what he thought was right. A creditor's representative was attached to that committee, and so long as there are creditors I see no inconvenience in following up that rule. Possibly there may be cases where it may not be expedient to adopt the views of the majority.

1652. You have given us a great deal of information with reference to the winding up of Overend & Gurney's. Could you give the Committee the total amount of the cost of winding up that, the total amount paid to the liquidator?—I have done so; I will do it again, if you wish.

1653. It was given rather in a confused manner, to my mind; will you give us the total amount paid to the liquidator?—The total paid to the two liquidators for the 11 years has been 53,532 *l.*

1654. What was the total amount paid to the clerks, the liquidators' clerks, I mean?—£. 12,619 15 *s.* 9 *d.* is the total paid for the clerks.

1655. Have you any idea what it cost for their law expenses?—Yes, the total paid to the solicitors for the liquidators has been 21,378 *l.*; other solicitors (there were, I think, two appeals in the House of Lords, and other matters), 5,900 *l.* Then there has been a sum expended in law costs in Spain. We have a suit which has been pending there now for 10 years, a suit for 180,000 *l.* on acceptances, and that has cost us up to the present time about 8,900 *l.* That is a suit against a gentleman who is a very wealthy man, but who stated that inasmuch as he could not get money at 5 per cent. and as we could only make him pay us 5 per cent. it answered his purpose to delay us; and as the claim is something like 180,000 *l.*, the question has been with him, whether we should not be tired out; and I am sorry to say that the courts in Spain facilitate these delays. The total sum paid during this whole period for rent, taxes, and sundry expenses, and salaries

to

Mr. *Knowles*—continued.

to the secretary and clerks of the company, is 27,200 *l.*; for stationery and printing, 2,250 *l.*; postages come to nearly 800 *l.*; and travelling and other things make up a total of 33,420 *l.* The committee of supervision have been awarded by the Court 6,050 *l.* The total expenses for the liquidation to December last came to 135,800 *l.* The total amount realised has been within a fraction of six millions.

1656. Could you give the Committee the amount of the Court fees; have you got them separately?—No, those go in the solicitor's charges. I have already stated that by investing the money we were not able to distribute; we made within 10,000 *l.* as much as the remuneration of the liquidators came to.

1657. With reference to the investing of money, do you not think it would be well if there was some mode of compelling the liquidator to distribute the assets within reasonable time after receiving them, rather than keeping them in hand and making money out of them?—Litigation was the sole cause of these moneys not being distributed; and I may say, in answer to that question, that in my experience the liquidators do distribute the moneys as soon as there is sufficient to pay a dividend.

1658. There is nothing to compel them to do so, is there?—The creditor can go to the Court and say, "Why is this money not distributed? I see by the account which the liquidator has filed, or by his book" (which he is entitled to see at the office of the liquidator), "that he has so much money in hand." The account is filed of his receipts and payments periodically, and if the matter is a large one, quarterly or monthly. In one matter I had, where the moneys were large, I filed my accounts every fortnight.

1659. Is that general with liquidators, as a rule, do you think?—The Court requires it when it thinks it necessary. In all the companies that we have under liquidation there is not an aggregate of 16,000 *l.* undivided.

1660. That is in your own case?—I do not think Mr. Turquand's experience is very different. The money lies at the Bank of England, and they give no interest for it; it is no interest to us for it to be undistributed.

1661. As regards the formation of a company, you told the Committee that you would insist on three-fourths of the shares being subscribed for?—Yes.

1662. Assuming that seven or more people went to register a company, and subscribed for the whole three-fourths of the shares themselves, and they were men worth nothing, what would be the advantage of that provision?—They would put out a prospectus, and say that three-fourths of the capital has been subscribed.

1663. By men of straw?—Then the inquiry would be at once, Who is Mr. Jones? Because you register the names of the persons who have so subscribed.

1664. True; but here are a lot of names, and it is assumed that three-fourths of the capital is subscribed; but if that is subscribed without any *bonâ fide* payment, when they are registered, how would the public be benefited?—I think I used the words *bonâ fide*, but legislate however you may, you cannot legislate against all fraud.

1665. Would you not have two modes of registration, first, an interim registration, and then in the next, requiring that there should be a certain amount paid up, not only subscribed, but paid up?—Yes, certainly.

1666. There would be more security in that than in merely having them subscribed?—No doubt it is, because the capital has not been paid up in many cases that the company has been allowed to go on.

Mr. *Knowles*—continued.

Mr. *Ashbury*.

1667. I think I understand you to say that you have been connected with the liquidation of about 62 companies?—Personally of about 62.

1668. And your firm about 140?—Yes.

1669. What is the distinction between the two; why are they separated?—The appointment is personal.

1670. Now can you, from memory, approximately give the Committee any idea of the percentage of cost in the winding up of the 62 companies with which you were connected?—It is impossible to give an average without giving also the circumstances connected with the liquidations; some of them have been free from litigation, and some have involved considerable litigation unavoidably.

1671. Take the early cases and the late cases together in the gross, on the average?—I see there is one company where the claims were 14,000 *l.*, and the liquidator's remuneration for himself, and the personal services of his clerks, came to 1,300 *l.* in round figures, but the law expenses came to 4,700 *l.* But the litigation in winding up companies arises more frequently with the shareholders, or did so formerly, than from any other cause. I think for the first ten years every point had to be argued at the expense of the companies, and then the Limited Liability Acts came in, and there was fresh litigation for ascertaining the rights of parties; I am inclined to think that in but very few cases indeed (there are some, no doubt, because every system is abused to some extent, but there are very few cases) is the litigation fomented for the purpose of costs.

1672. Do you think that the costs of liquidating these companies on the average have exceeded 5 per cent. on the assets realised?—Yes, in small cases certainly. I should think not less than 10 per cent.

1673. Do you mean 10 per cent. all round?—Yes, all round.

1674. Now, in connection with the question of calls, have you ever proposed a compromise with a shareholder and the Court refused it?—Yes.

1675. Under what circumstances would they refuse it, if you recommended it?—The man stated that he had no books, and the only evidence as to his means was his affidavit.

1676. With which the Court was not satisfied?—With which the Court was not satisfied. In my judgment it would have been expedient to have accepted the offer that was made, because from inquiries which I had made I did not believe anything more could be obtained from him.

1677. And what was the ultimate result in that particular case?—He has not yet paid the amount which he offered as a compromise.

1678. On the formation of a company, do you consider that all the contracts and engagements should be registered with the registrar, on the registration of a company?—Yes.

1679. But do you not think it would be rather complicated

Mr. *Harding*.

28 June 1877.

Mr. *Harding.*

28 June 1877.

Mr. *Ashbury*—continued.

complicated to give a mass of detailed statements to the general public in that case?—I do not see the necessity for giving a mass of information.

1680. A company may be formed with a mass of voluminous documents, which you could scarcely expect the outside public to wade through?—You could recite the contract in very short terms.

1681. And give the detailed accounts in the form of appendices for those who liked to look into them?—Only the deeds themselves would be at the office of the company or the solicitor for inspection; you would put people upon inquiry if you stated that there were certain contracts to such and such an extent.

1682. That protection so given has reference, I take it, more particularly to the first or the original shareholders; but I do not see myself that it would be any protection for the general public, who might subsequently buy shares on the Stock Exchange, or elsewhere?—Yes; what is once made public would be available to every person.

1683. But you must bear in mind that the various contracts which might exist on the formation of a company might have been disposed of and liquidated months, or a year or two, afterwards?—If a shareholder buys into a going concern he would have the opportunity of learning, by inquiry, the state it was in.

1684. But there would be no register of subsequent contracts with the registrar?—No.

1685. So that, in point of fact, these precautions would be purely and simply with a view to protect the public in the formation of a company?—Yes.

1686. And not subsequently?—And not subsequently.

1687. Now, it is not absolutely necessary, is it, that an accountant should be the liquidator?—No.

1688. Do you not think that in many cases a managing director, or a large shareholder who may have taken a deep interest in the company, would be a very suitable person to be the liquidator, subject to the consent of his co-shareholders?—I think he would fill a better position if he were one of the committee.

1689. Take the case of a large shareholder, who himself for 20 years has been the managing director of that particular company?—That is a question entirely for the shareholders; if they choose to appoint him, having confidence in him, I see no reason why they should not do so.

1690. The great complaint is that the unpaid capital of joint stock companies hitherto has been too much, or generally so, and that the outside public relied on statements that only a certain sum would be called up. I think that is so generally?—Yes.

1691. And that if they had known that the whole amount would be called up they would have taken fewer shares, or none at all?—In all probability that would have been the result in many cases.

1692. Now in connection with the powers of companies, manufacturing or other companies under the Limited Liability Act may require from time to time to extend their business beyond the intentions, as expressed in the memorandum of association deposited with the registrar. In this case subsequent resolutions of shareholders should also be attached to and registered with the original memorandum which gave the company their original powers?—Yes.

Mr. *Ashbury*—continued.

1693. Now in many companies money may be required when it would not be convenient or polite to make calls?—Yes.

1694. Then in that case do not you think it would be a great precaution if it were provided that debentures or other mortgages which might be issued should be duly registered with the registrar?—Do you mean if you create a charge on the assets of the company?

1695. Yes?—Yes.

1696. Unless your debentures or other mortgages are duly registered with the registrar, how is an outside shareholder to know the exact position of the company?—A shareholder can ascertain it by inquiry at the office.

1697. But take one of the outside public coming as a shareholder?—Before he buys his shares you mean?

1698. Yes, supposing he has any doubt?—Then he had better keep out. I think mortgages must now be registered.

1699. All the debentures are now registered under the present Act?—I think they are called mortgage debentures, the word debenture being used because it is a word that is familiar to the public in connection with railways.

1700. Have you any opinion as to the debenture capital, what proportion it ought to bear to the subscribed capital?—No; it depends upon so many elements.

1701. Now, in connection with the annual meetings of companies, is it advisable that directors, unanimously or otherwise, should have power to withhold from shareholders what passes at any shareholders' meeting?—I do not see how a director can withhold the information; if a shareholder does not attend, he probably can learn what passed from some shareholder who did attend, if he will take the trouble.

1702. That might or might not be so; would it not be a great check on boards of directors, and a great protection to absent shareholders, if the transcribed short-hand writer's notes were sent *in extenso* to each absent shareholder?—I have known what purported to be a report of the proceedings of the meeting sent to the shareholders, but it had been revised by the secretary, and a great deal that had taken place, which was very material to the interests of the shareholders, had been suppressed; that would occur constantly.

1703. That is rather a point in my favour, as to the necessity of short-hand writer's notes being sent *in extenso*, and without being modified subsequently by the board?—There is not the slightest objection to it, except as a question of expense.

1704. That is nominal; might it not, under some circumstances, be prejudicial to the shareholders if a board had the option of declining to send absent shareholders full notes of all that has taken place?—Yes. On this subject I may state that I was auditor of a company, and had grounds for being dissatisfied with the way in which the accounts were prepared, and I thought it necessary to hand in a written report. There were not many shareholders at the meeting; the chairman read his own report, or rather the report of the directors, and referred to having had a report from the auditors, saying that he was satisfied that the shareholders had confidence in

Mr. *Ashbury*—continued.

in the directors, and did not require the auditors to tell them how to conduct their business. The shareholders were satisfied with that statement, and I ceased to be auditor at that meeting. The report that I sent in was not read, nor were the grounds of complaint that I brought before the board ever made known to the absent shareholders.

1705. Do you propose that the committee of consultation in connection with winding up and liquidation, should be appointed from and by the general body of shareholders, or appointed by the board?—Not by the board.

1706. I gather from one of your remarks that you are freely disposed to think that the liquidator should be an independent person, and should have had no previous connection with the company at all?—I am led to that conclusion by experience of many cases where I have had to hold the balance between angry shareholders and directors who had acted with the very best intentions, but with mistaken views.

Mr. *Ashbury*—continued.

1707. Take the case of a small board of five where the chairman or managing director for the time being has been overruled by three of the board; the concern goes into liquidation; the chairman himself having great knowledge of the concern, and being the largest shareholder, do you not think that he would be the most fit and competent person to be the liquidator under those circumstances?—The shareholders at the meeting which is held, if they decide for the liquidation, if it is to be a voluntary one, could, with the assistance of the managing director, if he held a large proportion of shares you speak of, vote so as to exclude the members of the board who were not acting in the interest of the company. It is a matter where the shareholders must judge and can act for themselves.

Mr. *Harding.*

28 June 1877.

Monday, 2nd July 1877.

MEMBERS PRESENT:

Mr. Ashbury.
Mr. Alexander Brown.
Mr. Chadwick.
Mr. Orr Ewing.
Mr. Goldney.
Mr. Gregory.
Mr. Hopwood.
Mr. Isaac.
Mr. Lowe.
Mr. Rylands.

THE RIGHT HONOURABLE ROBERT LOWE, IN THE CHAIR.

Mr. EDMUND BOYLE CHURCH, called in; and Examined.

Chairman.

Mr. *Church.* 2 July 1877.

1708. WHAT is your position?—I am Chief Clerk to the Master of the Rolls.

1709. In the discharge of those duties have you had much to do with joint stock companies?—Yes, I have.

1710. In what way?—In the way of winding them up.

1711. Solely in that way?—Not exclusively in that way, but principally in that way.

1712. In what other ways have they come before you?—There have been occasional references from the Master of the Rolls into chambers in matters of detail in reference to the re-construction of companies, and so forth; but I may say that, substantially, it has been all winding up.

1713. What is your duty; what sort of questions come before you?—When the order to wind up is made it is brought before the chief clerk, who then gives directions what is to be done. First of all he appoints the official liquidator; secondly, he settles the list of the creditors of the company.

1714. You appoint the official liquidator, you say?—Yes; when I say I do it, you must understand that everything which I do is the Master of the Rolls' act, and what I do becomes his act if the parties adopt it; but if anybody is dissatisfied or questions it, it is at once referred to him.

1715. Or if you have any doubt on it you refer it to him?—Yes. Then the liquidator being appointed, the list of creditors is settled, and then the list of contributories is settled, and then from time to time orders are made for distributing the assets among the creditors or contributories, as the case may be. The money having been paid to an official account at the Bank of England, is drawn upon by the official liquidator by cheques which are countersigned by the chief clerk. A great number of orders are made in matters of detail in the course of the settlement of the two lists, and ultimately an order is made to make a final dividend and to dissolve the company. That is the short outline of the winding up.

1716. Does it apply to all the different kinds of winding up?—I think it applies to all.

1717. To all three?—Not to the voluntary; the voluntary does not come to the court at all, except in this way, that there is a power under

Chairman—continued.

the Act in the case of a voluntary winding up, to bring questions before the judge in chambers.

1718. But as a general rule it does not apply to the voluntary winding up?—As a general rule it does not, but only to liquidation under supervision and compulsory liquidation.

1719. Have you any opinion as to the best way of winding up a company?—I have not considered the subject; I do not think I can give you any opinion that would be worth having.

1720. What do you think of the system you work yourself, do you think it upon the whole satisfactory?—I think it is very costly, and I think it is more dilatory than need be.

1721. Why is it more dilatory than it need be?—I do not know that I am entitled to say that it is more dilatory than it need be; probably the dilatoriness is almost inseparable from the nature of the case, but I think it is more costly than it need be.

1722. You do not adhere to your view about the dilatoriness?—I do not think there is much in that.

1723. Will you explain now how it is more costly than it need be?—I think the remuneration which is paid to the liquidator is in some cases too high, and I think the liquidator is called upon to discharge duties which he need not be called upon to do. I think that much of the work that is done in the winding up is in fact done and paid for twice over; it is done by the solicitor and by the official liquidator too.

1724. How is that?—In this way: I will suppose, what is a very common case, that a man is fixed on the list of contributories for a large sum, more than he is able to pay; he then asks that he may be discharged upon paying a sum in compromise, and he gives evidence to show that the sum he offers is as much as he can afford; that is investigated by the liquidator, and it is also investigated by the solicitor, and practically the same work is done twice over. The same thing happens with reference to arrangements which are made for getting in assets, for compromising claims with outstanding debtors to the company, and in fact generally with reference to the arrangements for the sale and realisation, and distribution of the assets.

1725. Can you suggest any remedy for this?—I think

Chairman—continued.

I think rules might be laid down which should limit the duties of the official liquidator, and the solicitor respectively.

1726. Is the solicitor acting under the official liquidator, or has he independent power?—He is acting nominally under the official liquidator, but very often it happens that the official liquidator is appointed by the influence of the solicitor, and the relation is not exactly the ordinary relation of solicitor and client.

1727. In what respect does it differ; has the liquidator too much control over the solicitor?—On the contrary, the official liquidator has not the same control over the solicitor that an ordinary client has, namely, that of discharging him the moment he is displeased.

1728. Has the solicitor often indirectly a power of selecting the official liquidator?—What takes place, takes place behind the scenes, but my belief is that the solicitor has very much to do with the appointment of the official liquidator.

1729. So that a man who made himself disagreeable to the solicitor would not be likely to have as much business as otherwise?—In the first instance he would not be likely to get the appointment at all; in fact it is the case of the solicitor appointing the client, instead of the client appointing the solicitor.

1730. Have you any remedy to suggest for that?—It is very difficult to suggest a remedy; when the winding-up cases first came in large quantities into the Court of Chancery there was a practice of consulting the creditors and the contributories as to who should be the official liquidator; that was found to work in a very unsatisfactory way; two or three liquidators were started as candidates for the place; they canvassed for votes and the creditors or contributories as the case might be, who really knew very little of the merits of the matter, gave their votes for this man or for that; and I cannot say that I thought that that system was at all satisfactory. Ultimately after a great deal of experience of the matter the judges came to the conclusion that they would proceed in the appointment of an official liquidator upon this footing, that the petitioner who got the carriage of the order to wind up should be the first person to propose an official liquidator, and that the person so proposed should be appointed, unless he were shown to be unfit, that is to say, either a person of indifferent character, or a person who, by his antecedents, was so connected with the company that he could not act impartially.

1731. Do you think that that is a good plan?—It certainly is very convenient as far as the court goes, and I think on the whole it works better than the previous plan.

1732. Do you think that the man who jockeys the other people should get the appointment?—I think it is very open to that objection, and in that respect it affords an additional inducement to persons of unscrupulous character to make applications to wind up.

1733. We have been told that cases have occurred where there has been some little pecuniary arrangement between the parties; have you ever had cases of that kind?—I have often heard it talked of as a matter of gossip, but it has never as far as I know been brought home to the knowledge of the Court.

1734. It is a thing extremely likely, is it not, human nature being what it is?—Highly probable.

1735. Can you suggest any remedy for that?—No.

1736. How about having no official liquidator at all, and making the solicitor do it all?—I was rather leading up to that just now; I think the duties of the official liquidator might be restricted within very much narrower limits than they are at present, leaving him to receive the money, and pay the money, and be responsible for the assets and liabilities, and to have his opinion taken in certain cases, but that the practical working should be in the hands of the solicitor.

1737. Would it really be necessary to have a separate person for that purpose?—You see very large sums of money pass through the hands of the liquidator, in some cases even millions; I hardly think it would be desirable to place those in the hands of the solicitor; at all events, it would be contrary to all the traditions of the Court of Chancery.

1738. I understand you to say that you would limit the duties of the liquidator almost to receiving and paying?—Not quite so; I give that as an illustration merely; I think that official liquidators are employed, and employed at considerable cost in doing matters in which their intervention is really of very little advantage. If you will allow me I will give you an illustration. An afternoon is fixed for the purpose of settling the creditors of the company or settling the contributories. Of course that has to be dealt with, upon evidence which the parties bring on both sides; but I find, by experience, that the official liquidator with one, or perhaps more clerks, attends those meetings, and really he is of very little good. The only reason why his attendance is necessary, unless he is specially summoned is, that he has the custody of the books, and having the custody of the books it is necessary that he, or somebody, should be there to produce the books, and turn out the required pages.

1739. Would there be any objection to the solicitor having the custody of the books?—None whatever, in my opinion.

1740. It does come very much to what I said, does it not, that the liquidator should be a person for the management of the finance, a sort of trustee of the money?—There are other questions in which, perhaps, an official liquidator in the large cases, especially an accountant of considerable experience, may be of use; supposing there are large and complicated transactions between the company in question and two or three other companies, and you want to have those accounts taken, and you want to have a personal knowledge of the credit and responsibilities of the various parties involved, that lies somewhat out of the domain of a solicitor's knowledge, and you must have a person like the official liquidator, or call in a professional man of that class specially for the occasion.

1741. Would it answer the purpose that a solicitor who devoted himself to this particular branch of business should have financial clerks?—If you did that you must alter the laws of taxation. You are aware that every solicitor has his costs taxed before they can be paid out of any fund under the control of the court, and it is not the practice of the Court of Chancery to tax the costs of solicitors, except upon certain hard-and-fast rules, and the result has been

Mr. *Church*.

2 July 1877.

Chairman—continued.

that solicitors have ceased to do as they used to do formerly, almost within my experience, to deal with accounts themselves; for, in truth, the rules of taxation did not allow them a remuneration adequate to induce them to do so. You must, therefore, alter the rules of taxation of costs if you are to employ solicitors' clerks to do the accounting work.

1742. Supposing, for the moment, we could do that, would not solicitors be able to obtain perfectly competent assistants of that kind if they chose to pay for it?—No doubt they could.

1743. Is there anything more on that particular point that you would suggest?—If you mean as to the sub-division of duties between solicitor and liquidator, no, I do not think so.

1744. Now, as to the question of the remuneration of liquidators, what have you to say?—Do you mean as to the result of the remuneration under the existing scale?

1745. Some people complain that they are very much too highly paid, and also people have taken exception to the method of paying them by the hour; what is your view?—I think that the result has been that in the large cases the remuneration has been high, I may say, exorbitantly high; I think that in some of the smaller cases the remuneration has been hardly sufficient. I suppose that the Committee is in possession of the scale by which that remuneration is governed.

1746. We have had it before us. Can you suggest any way in which the scale could be altered with advantage?—I think the scale might be altered, by fixing rather less high sums at one end, and rather larger sums at the other, and probably by making more steps in it; but unless the Government is prepared to appoint taxing officers to deal with the bills of official liquidators in the same way as the bills of solicitors are dealt with, I do not see any better system than that of paying by the hour, varying according to the magnitude of the concern.

1747. Is it not an objection to paying by the hour that a man has the power of increasing his own payment by spinning things out?—Yes, you may say the check is a very imperfect one; but he has to swear to the time that has been occupied.

1748. That also is a very imperfect check, is it not?—A very imperfect check, no doubt. I may say that this subject was considered some time ago. The Committee know as much and perhaps a great deal more about it than I do; but under the old Acts of Parliament, prior to 1862, there was a provision that the liquidator should be paid by a commission, and the provision was that that commission should be, as near as I recollect, 3 per cent., 4 per cent., and 5 per cent.; that it should not exceed those amounts, unless the judge should otherwise order. When the great rush of winding up came in the year 1866, and companies came to be wound up whose assets and liabilities counted by millions, it was felt that those commissions were in fact no rule whatever. To give 5 per cent., or 4 per cent., or 3 per cent. upon a company whose liabilities were above half a million was absurd, and if you said that those were to be merely the maximum, and that the commission was to be left entirely in the discretion of the judge, that was in truth no rule at all, it became a mere rule of thumb. I can mention one instance of a bank in which the cash actually

Chairman—continued.

divided amounted to about two millions of money, and no doubt cases might be suggested in which the assets might amount to 10 times that amount. It was felt, therefore, that any payment by commission was very difficult; and I might also mention to the Committee this, that whatever standard you take to apply the commission to, it will be found that it does not apply to all sorts of companies. Put the highest maximum or put the lowest maximum that you can suggest, if you applied it to the case of a joint stock bank in London whose assets and liabilities might probably amount to 20 millions, any commission that you could fix would be absurdly high. In the case of an equally large company, or a very large company, at all events, if not quite so large, say, for instance, a steamboat company, whose assets were capable of being mortgaged, when it came to be wound up, its assets would, in fact, be mortgaged, and the divisible money would be very much smaller; the labour might be equal, but the remuneration would be extremely disproportionate. The matter was considered; first of all, there was the idea of having a fixed rate, as in the case of a solicitor, so much per hour, so much for each particular work that was done by the official liquidator; it was felt that it would be absurd to apply that to the case of a company whose assets consisted of millions, and to a company which came to be wound up with 300 *l.* or 400 *l.* worth of assets, and that was rejected. Then the idea of commissions was entertained, and a difficulty was felt in fixing a commission which should apply to all manner of companies; and then the judges felt a great objection to having a very large discretion left them, a task which they did not feel themselves qualified to deal with. Those three being rejected, the composite course, if I may use the expression, was adopted of having a payment by time, but varying according to the magnitude of the interest which had to be dealt with.

1749. And that you do not think altogether satisfactory?—I do not think it has worked satisfactorily.

1750. Can you suggest anything else?—The only thing that I can suggest, which would be an improvement, is one as to which probably the Treasury might feel a difficulty, which would be that a scale of remuneration should be fixed, and that the official liquidator should send in his claim, and have it referred for taxation, just as a solicitor does. That means the creation of taxing officers, who of course must receive salaries.

1751. Do you think, supposing that objection could be got over, that plan would work?—That, in my opinion, would be the best scheme that could be devised, a thoroughly revised scale of remuneration and a taxed bill.

1752. I suppose you would think that, whatever the difficulty may be, arising from the salaries to be provided, the Government should do, if it is the right thing in the interest of the public; you would think it was not an indiscreet way of spending public money to provide such officers?—I should think it was certainly not.

1753. There is another plan; how would it do to put it up to tender?—How about character? You want a man of character.

1754. Could there be no criterion suggested that would exclude people of bad character?—It is very difficult, especially in a court of justice, which proceeds upon evidence, to deal with anything

Chairman—continued.

thing in the shape of character, except a definite charge proved up to the hilt. Many men we know are not to be trusted, but we dare not say so sitting in a court. I do not think that is agreeable work for a judge to have to discharge.

1755. Then your remedy would be a Taxing Master?—My remedy would be a revised scale of remuneration, and a taxed bill.

1756. Much as is done in legal matters?—Much as is done with solicitors, only of course a scale very different from theirs.

1757. Do you think that it would be easy to get the information requisite to prepare such a scale if it were desired?—I have no doubt about it; it might be very difficult to get the people who were competent to frame such a scale to find the leisure to devote to it, but such a thing might be done.

1758. Is there anything more on that point which you would suggest?—No.

1759. Is there any other thing that has occurred to you in the discharge of your duty, that you think it would be useful for the Committee to know?—I think it might be desirable that the business of winding up, so far as it is bankruptcy, in fact, should be made bankruptcy in form, and should be taken away from the Court of Chancery, which is overdone, and given to the Court of Bankruptcy.

1760. Do you think that the business would be as satisfactorily discharged in the Court of Bankruptcy as at present organised, as it is now in the Court of Chancery?—I think it would probably be better done; it is business analagous to that which they are now in the habit of discharging and much more in harmony with their experience and knowledge than it is with ours.

1761. It has been suggested to us that the Court of Bankruptcy is not very well organised; that almost every registrar can overrule the other, and that there is no final authority?—I would say to that as you said with reference to a new officer being appointed, that it is competent, of course, to the Government to redress that mischief.

1762. It would require to organise the Court of Bankruptcy with some judge superior to what there is now?—There is a Chief Judge in Bankruptcy, Vice Chancellor Bacon.

1763. He has many other duties?—So has every other Vice Chancellor at present, more than he can discharge.

1764. It would require, in fact, another Vice Chancellor?—I should think it would.

1765. That, you are of opinion, would work well?—I think, perhaps, there is hardly work enough in winding up, as winding up stands at present, to occupy the time of a judge. I spoke hastily, perhaps.

1766. If it is required, you think it ought to be done; but that is what you would propose?—That is what I should propose, a transfer to the Court of Bankruptcy of so much of the winding up as is actually bankruptcy business; that is the winding up of insolvent companies, not the winding up of a solvent company, or a winding up for the mere purpose of reconstituting a company.

1767. It would be collecting the assets from the contributories?—And from other sources.

1768. And paying them over?—Yes.

1769. Have you any other suggestions you can make to us?—There are many subjects that I might make suggestions about if I had had notice to consider them, but I have been summoned at very short notice.

1770. You know so much more than we do of this matter that you might, perhaps, be able to make some suggestion?—I am not ready at devising expedients at the moment.

1771. Could you point out to us difficulties or things that do not work satisfactorily which occurs to you in your own experience?—No, I am not prepared to make any other suggestions.

Mr. *Gregory*.

1772. I have a return, which you probably have seen, of the work in the Chancery Chambers?—Yes, I know it.

1773. And it appears from that that there has been a considerable increase in the work done there?—Yes, but that does not apply to winding up.

1774. No; I am coming to that directly; but that there has been an increase in the work done?—There has been a considerable growth continuing now for some years.

1775. The number of appointments in 1872 I see was 23,000 odd, and that has increased in 1876 to 29,000?—You are applying that to the Master of the Rolls alone.

1776. I am speaking of your chambers alone?—That is so.

1777. The Master of the Rolls having three chief clerks and certain subordinate clerks?—That is so.

1778. With respect to the number of orders for winding up brought into chambers, I see there has been an increase in them in the year 1876?—No doubt there is a numerical increase; but the modern winding up is very trumpery stuff; it bears no comparison with that which came in the year 1866, when we had companies, such as I have described, with very large assets.

1779. Now taking this increase of your general ordinary business, do you think that you are competent in your chambers with your present staff to carry on the winding up and the ordinary business of the court, too?—I think it will be necessary to increase the staff, or to have some other mode of doing business, not with reference to winding up alone, but with referenee to the general business of the suitors in Chancery. I roughly compute the winding up at present to occupy about one-twelfth of our time.

1780. If you were relieved of that winding up, of course you would have that portion of your time for the disposal of the general public?—It would belong to the other suitors.

1781. You spoke of some of these companies brought for winding up as being very small; does it occur to you that they were companies that ought never to have been formed at all?—Very often.

1782. Did it ever occur to you that there should be any guarantee for the carrying on of a company for the *bona fides* of it, before it is formed under the Act?—You are aware that the Act of Parliament provides for the guarantee of the signatures to the memorandum of association of a certain number of shareholders; I have always, therefore, started from the point that the Legislature had considered a guarantee necessary; I certainly did not think the guarantee which has been provided was an effectual one.

1783. We had a case the other day before us, of a company formed by seven persons who paid

Mr. *Church.*

2 July 1877.

Mr. *Gregory*—continued.

up 1 *s.* apiece?—I saw a report of that case decided by Vice Chancellor Malins.

1784. You do not consider that any guarantee of the *bona fides* of a company?—Not any guarantee whatever.

1785. But your impression is, that the Legislature did intend to provide a guarantee in the Act of 1862?—I think so.

1786. And is it also your opinion that that guarantee is not sufficient?—Yes; supposing that a guarantee is to be required, that one is an idle one; whether any guarantee should be required may be open to question. Whether people should not be left to take care of themselves, is a matter about which I am not so sure.

1787. Have you considered the propriety of having any guarantee, or none at all?—No, I have not considered that, because I look upon that as a foregone conclusion; but I have considered the question as to whether it was sufficient, and I have also considered (but I do not think I have anything to suggest which is likely to be of use to the Committee), as to the form in which another guarantee should be given. You see our duty is, if I may be allowed the expression, is to dissect the dead body; of the life of the company we know nothing. In the history of companies there are many startling things, but as they are no part of our business, we go through the ordinary discharge of our duty without dwelling upon them.

1788. Still a mind like yours might be abstracted by that point?—My mind, such as it is, is very much occupied with the necessary business of my position.

1789. Now you recommend that the working of the liquidation should be thrown more on the solicitor than it is at present?—I do.

1790. A solicitor is under the immediate jurisdiction of the Court, is he not?—Yes.

1791. The Court has power to visit him very severely for any malpractice, or any malversation?—Yes; and so the Court has in the case of an official liquidation; not in the same measure, or by precisely the same means, but a liquidator is an officer of the court.

1792. He is not an officer of the court in the sense in which a solicitor is?—No, he is not; nor are the penalties to which he has ever yet been exposed so high. There have been very few cases of misconduct of official liquidators brought to the notice of the Court; such as they are, they have generally been dealt with by simple removal, and refusal to give him his costs.

1793. But a solicitor's whole existence is dependent upon his good conduct, is it not?—Yes, that is to say, he is exposed to being struck off the rolls, and his professional career, of course, is then at an end.

1794. It, in fact, involves his professional existence?—Yes.

1795. You were saying that solicitors are not sufficiently remunerated for dealing with accounts, preparing them and investigating them, and so on?—I did say so.

1796. You had practised as a solicitor for many years before you received your present appointment?—For a good many years.

1797. And the remuneration of solicitors is, as you say, fixed by these hard-and-fast rules?—It is.

1798. You are aware that the remuneration of solicitors is still a matter of consideration by the Chancellor and some of the judges?—I have heard so.

1799. I presume that regulations might be made which would meet that point with respect to the remuneration for accounts?—Of course they might.

1800. So as to make it worth while for solicitors to take a more active part in framing accounts and in investigating them than they do now?—Yes.

1801. Now, in the case of the administration of private estates of deceased persons, it is a common thing, I think, for solicitors to employ an accountant for the estate, is it not?—You must not accept that as being the general thing. In taking the accounts we should not allow an accountant in a common simple case.

1802. I mean a large estate?—Certainly, the executors are allowed to employ an accountant; if they employ him with leave of the Court; the Court always sees that a bargain is made with him as to his remuneration.

1803. And that accountant is appointed by the solicitor, subject to the approval of the Court?—No doubt, virtually, as a matter of law, he is appointed by the executor or trustee, but, in fact, he is appointed by the solicitor.

1804. Could not some system of that kind be introduced into this process of liquidation?—You see there are duties which are different in the case supposed from that of the official liquidator; the official liquidator performs the functions which (you will understand me when I say) are performed by the Paymaster General in Chancery suits; he has the funds in his own hands; he invests the stock which stands in his name; he receives all money and draws cheques for all money. I think there might be difficulties in having the keeping of the accounts and the handling of the money in the same hands as that of the person who is to manage the legal business. I am, perhaps, speaking now a little from my own point of view. I should feel more anxious if there were not two persons, one of them who had to receive and pay the money, and the other who had to bring the cheques to my notice and ask me to countersign them.

1805. You would have some person, either in conjunction with or independent of the solicitor to receive the money and to pay it over?—I would.

1806. But, subject to that, might not the remuneration of the official liquidator, such person as you contemplate, be fixed by the Court from time to time as it is done in these private cases, for instance?—The remuneration is always fixed from time to time. Do you mean that a person should be called in?

1807. Yes?—Not if he is to have money in his name. I think you must have either a person performing the ordinary functions of a trustee or an executor with reference to the estate, responsible for what he pays and for what he receives; or else you must have a public officer from another department, say of the Paymaster General, who shall take care of the assets.

1808. There is another alteration; having a public officer to receive those monies and collect them, do you think that would be a better system than appointing an official liquidator?—The objection to a public officer, especially one that deals with money is, that they err so much on the side

Mr. *Gregory*—continued.

side of caution that they impede the transaction of business.

1809. But would it not be the duty of a solicitor to see that the money was collected under those circumstances; that it was got in?—What is the good of saying that it is the duty of a solicitor to look after a million of money; if it is his duty, and he fails to perform it, he has not got the money to pay it; there may be some who have, but they are rare exceptions.

1810. In the ordinary administration of an estate it would be his duty to see that it was properly carried out?—Yes, but it is also the duty of the trustee or executor, and they are personally responsible; the solicitor would only be responsible for the misconduct of his client, so far as he had been actively instrumental in enabling that misconduct to be pursued. I never recollect an instance of a solicitor being made responsible for the default of his client; it must have been some wilful, personal default of his own.

1811. But in an ordinary case of administration when it once gets into the court, is it not a fact that the administration is really carried on by the solicitor?—That is true to a great extent, but there is an executor or trustee, and that executor or trustee is consulted about a great many things, as I know, from the circumstance that we call for his affidavit and for his opinion. If there is a question whether an estate should be invested in land, whether a landed estate should be sold, whether there should be an exchange, or a mining lease, or what school an infant should be sent to, there is always a person independent of the solicitor performing the function whether of guardian, trustee, or executor to whom the Court looks.

1812. Then, practically, you do not see your way to any other system than that now in operation in the appointment of our official liquidator?—I do not see my way to leaving a solicitor to wind up without a client. You might, of course, make the solicitor an official liquidator; he might fulfil the two offices; that is another proposition.

1813. Now do you consider the official liquidator the client of the solicitor at present?—No, I have already stated that the relation is not the ordinary relation of solicitor and client, that the solicitor appoints the official liquidator (so I believe) and not the official liquidator the solicitor.

1814. In fact, then, the control is the other way rather?—The control is the other way.

1815. I think you have suggested that a portion of the liquidation business should be transferred to the Court of Bankruptcy?—So far as it is bankruptcy business.

1816. Do you mean that to apply only to insolvent companies?—I do; I look upon the analogy between an insolvent company and bankruptcy as complete. A solvent company is more like the case of an administration suit in Chancery to administer the trusts of a will or a settlement.

1817. To return to the former point as to the appointment of liquidators, has not the present system led in many cases to a run for the order of winding up?—If you ask me what I believe, certainly I believe it has led to what is colloquially called "wrecking."

1818. That is a common and well-known term?—It is well understood amongst people who are conversant with those matters.

1819. I see in this return on which I have already asked you some questions, that there is a large sum which has been refunded by contributions. For instance, from your chambers in 1876, 129,000 *l.* has been refunded to contributories?—Yes.

1820. Has that arisen from the realisation of assets, or from calls having been made which were unnecessary?—Unless I have the particulars before me I can only give you a general answer; I suppose it would arise from this: a company is in difficulties and comes to be wound up; of course the creditors are entitled to have their money, and it must be got; calls are made upon the contributories, there being no outstanding assets available at the moment; they find the money and the creditors are paid; and then when the assets later on are brought in, they are divided and given back to the contributories who have made their contributions before. It was frequently urged in the early stages, in answer to an application for a call, "We have plenty of assets; wait till they come in," but the answer was, "The right of the creditor is to be paid at once; we must have a call, and you, the contributories, must wait for the assets."

1821. Does not that lead to the contributories being in some degree sacrificed to the creditor?—It leads to their being distressed; I should not have used the word "sacrificed," because I think the duty of the debtor is to pay the creditor.

1822. It leads to their being pressed?—Yes.

Mr. *Chadwick.*

1823. Have you had a copy of the Companies Acts Amendment Bill (No. 2) in your possession?—It has been put into my hands this morning, but I have not opened it.

1824. I think you will be able to see at a glance what is intended. Clause No. 4 proposes to repeal Section 38 of the Act of 1867, and to make the disclosure of everything relating to contracts, very thorough and explicit?—Yes, I see that.

1825. Do you approve generally of the alteration of the law requiring the disclosure of every contract of every kind by promoters, directors, and others?—There are two considerations, I think, as of course everybody of sense and honesty thinks, that the more candour is forced upon the promoters of companies the better. On the other hand I know not what prejudice may be done by disclosures; and I should think that those two difficulties would require some skill in steering between them.

1826. I find by the evidence you gave before the Committee on the Limited Liability Acts 10 years ago that you recommended that the seven persons who signed the memorandom of association, the promoters of a company, should be required to take a substantial interest?—I have forgotten that I said so, but I have no doubt that I did think so.

1827. In answer to Question 1510 in your evidence, 10 years ago, you make this recommendation: "It occasionally happens that the memorandum of association, which as the Committee are aware, must be signed by seven persons, is signed by seven persons, each of them taking a small amount, sometimes only one single share, the persons being unsubstantial persons, and not capable of contributing anything to the assets of the company; and it has appeared to me to be desirable that some provision should be made that every

Mr. *Church.*

2 July 1877.

Mr. *Chadwick*—continued.

every promoter of a company should be compelled to subscribe, and pay a deposit upon some substantial number of shares." Under the Act of 1867 they unfortunately did not adopt your suggestion; do you recommend that the law should be now altered to comply with that suggestion?—I certainly am of opinion that it would be desirable that a substantial guarantee should be afforded of the *bona fides* of the company; and one of the ways in which that could be done would be to increase the number of persons who signed the memorandum of association, and to make their interest a substantial interest, and their substantiality guaranteed by a deposit.

1828. Clause 5 of the Bill requires that two-thirds of the amount of the capital offered in the prospectus shall be subscribed before the company can be established; do you think that amount sufficient?—I think I should be misleading the Committee if I pretended to have any knowledge worth giving them upon this part of the case. My experience is wholly with the winding up of companies, and does not lead me to see much of the disasters which arise before a company reaches that stage.

1829. But in your previous evidence you go upon the fact that the winding-up cases brought before you were in many instances caused by this very defect?—I was ten years younger then, and am more cautious, perhaps, now.

1830. Do you find that many of the companies coming before you which have been brought into liquidation, are companies where the seven subscribers have subscribed very small amounts, and that the liquidation of the company has been mainly due to that, and that if the seven had subscribed substantial amounts the probability is there would have been no liquidation?—I have seen many cases in which, to my belief, the seven subscribers have been mere men of straw.

1831. Clause 6 in the Bill requires, that every allottee shall have a printed list of his co-shareholders; do you think that would be a wise provision to make now?—I think it very desirable that they should have the means of having a list. As to Clause 5 which this has to do with, whether the number of days is a reasonable number of days, and whether the period at which it is to be sent is rightly fixed, I do not offer an opinion; but certainly they should have every opportunity of knowing who the allottees are.

1832. Clause 7 of the Bill says, that every company shall prepare a report and balance-sheet, and a profit and loss statement; do you think that ought to be made compulsory?—That is open to the observation which I am about to make, and I should hesitate before I said anything about it. Supposing a company struggling; a balance-sheet which is presented to a general meeting is, I suppose, presented to mankind; and there are periods in the times of prosperous men when they would not like to show their balance-sheet. That seems to me rather a strong clause.

1833. Does any case occur to you in which damage could have been done to any company by the publication of an ordinary balance-sheet, and a profit and loss statement to their shareholders only?—You cannot keep a secret among so many people; the persons interested would obtain copies of it. I only suggest a doubt; I hesitate to give an opinion about it without considering it.

1834. Clause No. 9, is one by which companies have the power to extinguish paid up capital, and is meant to remedy a defect in the Act of 1867 which allowed unpaid-up capital to be extinguished, and did not apply to paid-up capital?—I do not see any objection to that; but that again is entirely out of my line of experience.

1835. Then with regard to a clause which was in the former copy of this Act, and was afterwards taken out in consequence of some objections, I should like to have your opinion upon it; it was proposed to require liquidators to send to the shareholders of the companies and to the creditors half-yearly reports of their proceedings and receipts and expenditure?—I do not know what the advantage of that might be in the case of voluntary liquidations, but as you are aware liquidators are a highly-paid class, and as things stand at present the preparing of these reports would lead to a very considerable expense. In winding up under supervision, and in winding up compulsorily under the Court, the creditors and the contributors are, or may frequently be, before the chief clerk, and if anyone made any sort of statement to the effect that he had not information as to the winding up, such a course would be taken as would induce the official liquidator to give the information, or, at all events, would point out to the shareholder the mode of redress which the law affords, that is, taking out a summons to remove the liquidator.

1836. You are aware that the Committee have had the advantage of Mr. Turquand's, and Mr. Price's, and Mr. Harding's evidence, and I think they have been almost unanimous, all of them, in saying that there would be no practical difficulty in extinguishing the office of official liquidator, and making all liquidation under the direction of the Court, what is now known as voluntary liquidation, under the direction of the Court. I should like to know whether you approve of that suggestion?—I have very much gone over that ground already. The conclusion to which I ventured to come was that the official liquidator was at present called upon to do work which the solicitor might very well do, and which, in fact, is at present done twice over, and paid for twice over; but that there are other duties of the liquidator, particularly the receiving and paying away of the assets, which must, in my opinion, be done, either by some person holding the office of trustee of the company, or else by a public officer.

1837. Those are not the points to which I wish to call your attention; I wish to ask you, with reference to the very great trouble required by attending before the chief clerk to get his approval for every cheque and every payment, and almost every circumstance connected with the liquidation, whether that could not be removed by making all liquidation voluntary under the direction of the Court, that is to say, by a committee of shareholders, with the sanction of the Court?—Voluntary liquidations under supervision do not necessarily suppose the Court's meddling with the money matters. In voluntary liquidations under supervision, the money is brought into court immediately that anyone asks to have it so. Nobody asking to have it so, it remains under the control of the liquidator. The necessity for applying to the chief clerk would extend to cases of voluntary liquidation under supervision as well as to compulsory liquidation.

Mr. *Chadwick*—continued.

dation. As to voluntary liquidation wholly out of Court, with that the Court does not meddle.

1838. The point of complaint that has been made by these gentlemen who are so largely engaged as liquidators, especially as official liquidators, is, that every check and payment requires the chief clerk's assent, and their attendance at Court, and a great loss and waste of time. What I am anxious to ask you is, whether you would see any difficulty in doing away with the office of official liquidator, and making all liquidations, either voluntary under the direction of a committee of shareholders and creditors, or voluntary, as at present, under the direction of the Court?—I doubt whether it would do to deprive the shareholders or creditors of the right to come to the Court and see their rights enforced. You put it in this way, that there would be a committee of shareholders or creditors, with an official liquidator appointed to distribute the assets, leaving everybody who was aggrieved to bring his separate action against them in the same way that you bring your action against your trustee or your father's executor for an account.

1839. You made some reference to the Bankruptcy Court proceedings. It has been suggested that all liquidations might be carried into the Bankruptcy Court if the Bankruptcy Court was enlarged and strengthened, and further powers were given to it; do you see any objection to that?—On the contrary, I have suggested the same thing in answer to a question from the Right honourable Chairman, and I have answered the same question, confining it only in this way, that it should apply only to companies which are insolvent, not to companies which are being wound up, which owe nothing to their creditors. Where the winding up is a bankruptcy, let the Court of Bankruptcy deal with it; where it is what we call an administration, let the Court of Chancery continue to deal with it.

1840. In case the Bankruptcy Court took these proceedings, there would be many objections to the present system of the appointment of official liquidators; would you recommend Parliament to go back to the old system of official assignees attached to the Bankruptcy Court?—No, I think not; I am disposed to think that of the two evils, it is better to have an official liquidator performing the functions of trustee of the assets of the company, rather than to have an official officer, or a paymaster general.

Mr. *Isaac*.

1841. Had you any great experience in liquidations prior to your taking your present appointment?—None whatever; I might occasionally have acted as solicitor for a contributory, or creditor; but I never, as a solicitor, had the management of a winding up.

1842. You spoke of doing away with official liquidators, and of the accounts being in the hands of the solicitor; I would ask you if it is understood, as a rule, that solicitors are not accountants, and that they do not profess to have any knowledge of accounts?—That is so.

1843. So that they would be compelled, in the event of your recommendation being adopted, to employ accountants instead of official liquidators?—They would have to appoint skilled clerks. I think that was the suggestion of the Right honourable Chairman.

1844. Under the system which you would

Mr. *Isaac*—continued.

Mr. *Church*.

2 July 1877.

suggest to the Committee, it would be necessary that all liquidation should be under the Court, would it not be doing away with voluntary liquidations entirely?—No, I do not see that. It might provide that wherever the liquidation is under the Court it should be dealt with in a particular way; but even in the case of voluntary liquidations, I suppose it is almost impracticable to conduct them without the assistance of a solicitor.

1845. Would it not be advisable to have only one system of liquidation?—Well, I think it would be a hard thing to say, if a company wishing to be wound up, was so far agreed, that nobody wished to have either the expense or the vexation incident to legal proceedings, that you should compel them to do so. I think voluntary liquidation is a privilege which they ought to be allowed to have.

1846. Would the liquidation under the Court of Bankruptcy which you suggest, or the Court of Chancery, be more expeditious and less expensive than the system at the present time used?—Of course, the proceeding under the Court of Chancery would be hereafter what it has been heretofore. I have no reason to suppose that the administration in bankruptcy would be either more or less expeditious than the proceedings in Chancery; and voluntary liquidation would remain as it is at present.

1847. Have you experienced in your official capacity, any difficulty or delays from the official liquidators?—No; I began with an answer to that effect, and I suggested that there might be less delay, but I afterwards withdrew that, and I said that I thought the delay was merely incident to the difficulties of the subject. Of course, overworked men will occasionally put aside work, and not do it as fast as you could wish it done. I have never seen anything like wilful or corrupt delay.

1848. You spoke of liquidators being overpaid at times; do you consider the payment awarded to the liquidators, in that case of Overend and Gurneys, excessive?—First of all, I do not know what the amount was, and in the next place, I have no means of knowing what the labour done was.

1849. It appeared in evidence on Friday last before this Committee, that they had paid within four years from 1866, from 18,000,000 *l.* to 20,000,000 *l.* of money, and that under the advice of one of the Vice Chancellors (I believe), they awarded the liquidators 40,000 *l.* for their expenses?—That seems a very large sum. Did it appear how much of that was disbursement out of pocket?

1850. None, but that was for the liquidators; that was independently of all other charges?—I think it is a very large sum; a prodigiously large sum.

1851. It was for eight years' services that this money was awarded them?—It seems to me a very large sum; but I do not like to give an opinion without seeing the details, and, of course, I speak with great deference, when I am told that it was done by the order of a judge.

1852. The first arrangement, I understand, was to pay them by commission; when the Committee saw the enormous amount of money which passed through their hands, they thought the amount would be an excessive one, and the liquidators agreed to the decision of the judge,

Mr. *Church*.

2 July 1877.

Mr. *Isaac*—continued.

that each of them should have 20,000 *l.* ; what is your view upon those facts?—I have a sort of impression that there were special circumstances of this nature ; that the judge caused three or four of the principal creditors to be consulted, and that he acted, at all events, with reference to the views which they brought before him. But the sum appears to me to be very large ; I cannot say that it is not.

1853. The time that was used in the liquidation was very great, and the anxiety and responsibility very large?—Yes, and they had to give security for a large sum of money, and both the gentlemen are men of great eminence in their profession ; but then if it stated that the liquidation was eight years, it does not mean that they devoted to it eight years of their time ; it was one among many subjects to which they devoted their time.

1854. We have been told that a large amount of money is lying undisposed of from liquidations, some in the hands of private liquidators, and others in the hands of official liquidators ; do you know anything of such sums being in existence?—As to private liquidations, I should never hear of them, unless there were some application to visit the liquidation with the consequences of default. No such application has ever come before me. With regard to the official liquidation, the case you suppose could not happen, except by a direct violation of the rules of his appointment, one of which is that he shall, I think it is within seven days, after the receipt of any sum of money pay it into the bank.

1855. I am speaking of balances lying, with reference to official liquidations, at the Bank of England, arising from unclaimed dividend?—That would be a mere act of carelessness on the part of the liquidator. Of course the case may happen ; if a dividend is issued, amounting to a very large sum of money, the cheques will go into the hands of a large number of people, and many of those people will put the cheque away, treating it as a security for money, and not presenting it. I should not consider the liquidator as culpable, if he kept that money uninvested.

1856. I rather wanted to discover whether these amounts of money we heard of are in existence ; we have been told that they amount to millions?—I hear it with great surprise.

1857. I want to find out whether, with your experience, you know anything of these moneys, or have any idea what the moneys are to the credit of the various liquidations at the Bank of England?—I have the materials for making out an account of it, because the Bank of England, from time to time, transmits to the chief clerk, on request, a statement of the balance which stands to the credit of each liquidator, that is to say, whenever I, as chief clerk, am called upon to countersign cheques for a dividend, I insist upon seeing that there is money at the Bank to honour the cheque when it is countersigned, and therefore I require them to produce to me, in a small case, the banker's pass book, or in a large case, a certificate from the Bank ; but with reference to the unpaid dividends, having determined that a dividend should be paid, if it is a large sum of money the sum necessary for the dividend is carried over to a separate account, and the cheques are drawn and countersigned, and sent all over the world to the various creditors. Undoubtedly

Mr. *Isaac*—continued.

money on separate accounts does remain until the creditors go and take it ; but it is their money.

1858. Would there be any means of disposing of that money after a certain time?—The way in which it is, in fact, disposed of is this, that after a time, according to the difficulties of the company there comes the final order for the dissolution of the company and paying over the final dividends, paying the costs, destroying the books, and dissolving the company. When that time comes the official liquidator has in his hands generally a small remnant of money, and that money, by the final order, is paid over to the Paymaster General of the Court of Chancery to a particular account, and the schedule to the order states the persons who are entitled to it ; that is to say, the unclaimed dividends being in each individual case small in amount, and remains with the Paymaster General. It becomes, in fact, the money of the public.

1859. The money is really transferred to the public, in fact, at the final winding up of the company?—Yes.

Mr. *Ashbury*.

1860. I think I understood you to say, or am I right in assuming, that in connection with voluntary liquidations there is no need to refer to the court?—Not in a purely voluntary liquidation. There is power under the Act of 1862 to make any special application to the judge without bringing the whole winding up under supervision, but to untie any particular knot which has occurred in the administration of the voluntary liquidation. In a liquidation under supervision everything is under the Court which anyone chooses to bring before it, and nothing more. In a compulsory liquidation nothing is done without the Court.

1861. Voluntary liquidation is chiefly, I suppose, in cases where the assets are ample to pay 20*s.* in the pound, and the desire for liquidation is on the part of the shareholders?—I suppose so, but of voluntary liquidations I see very little. I have no doubt of it, not speaking from my experience as a chief clerk, but from the general knowledge which everybody has.

1862. In the case of a petitioner going to the Court to appoint a liquidator, assuming a complaint to be founded on facts as to an arrangement between the petitioner and the liquidator, what course would the Court pursue in that case?—The Court would inquire into the complaint and would refuse to appoint the person proposed who was tainted in the way you suggest.

1863. If there were any reasonable grounds?—Anything that shows any ground affecting his character as a man of honour, or anything showing that his antecedents are such as to prevent his being independent of the shareholders or creditors of the company.

1864. Or showing that there was any collusion with the petitioner?—That I should call dishonourable conduct.

1865. When you suggested that the solicitors might have possession of the books of the liquidators, did you mean pending the liquidation, or to take the place of the liquidator also?—I mean that they might have it from beginning to end ; I do not see any danger in that.

1866. But what would the liquidator do to wind up the business if all the books were in the possession of the solicitor?—Just what an ordinary

Mr. *Ashbury*—continued.

nary client does if he wants to refer to his books or deeds, namely, go to the solicitor's office.

1867. But would not that involve a large amount of expense if there were a constant running backwards and forwards by the liquidator to the solicitor to look at the books?—Either the solicitor must go to the liquidator or the liquidator to the solicitor, and, as far as I can see, it appears to me with regard to the use which the solicitor has of the books as far as my work is concerned, is that the solicitor has occasion for the books on a very great number of occasions when he is obliged to send for them and have the liquidator with him at a double expense.

1868. But I assume that the liquidator would only require to see the solicitor on points of law and in connection with giving instructions for legal proceedings?—It would appear to be so; but at the same time there is no doubt that the solicitor is very often consulted. It is not very easy to say where a subject begins to be legal and ends being commercial, and I have no doubt that, in a great number of the arrangements come to, the solicitor gives his opinion on more than the legal points, and *vice versâ*.

1869. In a voluntary liquidation why not let a committee of shareholders arrange the remuneration of the liquidator, and under a compulsory liquidation a joint committee of creditors and shareholders?—There are two objections to that. The first is that, above all things, it is essential that the liquidator should be independent of the shareholders or the creditors. In a solvent company I do not know that there would be very much harm, but in an insolvent company shareholders, of course, have no right to be consulted till the creditors are paid, and it is essential that the official liquidator should be independent of the creditors; his powers with reference to creditors are very large; he admits by his mere will any creditor he sees fit to admit, and opposes only such as he sees fit to oppose. I think it would be very difficult to leave to a committee of creditors the fixing the remuneration.

1870. I said a committee of creditors and shareholders?—Shareholders, in my opinion, would not be entitled to be considered in the case till the debts were paid; after they were paid then the creditors would have no right to be considered. But the other reason why I should think it dangerous to put the matter in the hands of a committee of creditors is that I never find that they will give themselves the trouble to consider the matter at all. When we first took our winding up there was a practice which probably arose out of the notion of the Court of having a plaintiff and a defendant, that in addition to the liquidator there should be a creditors' representation; but experience showed that the creditors' representative took no part in assisting the Court, and was, in fact, a mere increase of the expenses, merely tended to swell the expense of the winding up.

1871. In cases of voluntary liquidation, which occur chiefly in solvent companies, you see no objection, I gather, to one of the largest shareholders being appointed as the liquidator, subject to the consent of the shareholders, and especially when that person might be under obligations to pay large possible calls?—I do not see any objection in a voluntary liquidation to the shareholders appointing anyone they please that they think fit as their liquidator; he is their choice; it is their business.

Mr. *Ashbury*—continued.

Mr. *Church*.

2 July 1877.

1872. Now in connection with any modification of the Act now before us, assuming that another Vice Chancellor were appointed in connection especially with liquidation cases, how would you suggest that his vacant or spare time should be filled up?—In the first place, let me correct you as to the facts of your question. It was a suggestion of the Right Honourable Chairman that an extra Vice Chancellor might be necessary; but I think I rather too readily assented to that, and I would correct what I said. I estimate that at the Rolls (and I think at the Rolls we have done more winding up than in the other divisions) the winding up occupies about one-twelfth of our time. Now as there are at present four Vice Chancellors besides the Master of the Rolls, that is five, it is obvious that by taking away one-twelfth of the business from each court, you would not require above one-half of a judge to undertake it.

1873. Then in that case would you suggest the appointment of a judge at all?—My notion is that one judge of the Court of Bankruptcy might very well do a considerable portion of the winding up and yet have leisure to devote some of his time to his other duties.

1874. But would not that be somewhat to the prejudice of the present claimants before the Court?—Of course the judicature is at present, at all events on the Chancery side, with which I am more conversant, over-worked, and you cannot, by taking out of one vessel and putting into another, make the vessels hold any more water.

1875. But if you were to saddle these other judges with the trouble in connection with the winding-up cases, that would, in fact, give them very much more work to do than they now really have?—If you took it away from the Court of Chancery, you would still leave the Chancery judges with abundant work to occupy the whole of its time; it follows, therefore, that if you did not relieve them to that extent, somebody must suffer by reason of not having their business attended to.

1876. Do you think any, and if so, what percentage of capital should be paid up before registration, in order to show the *bona fides* of an undertaking?—I would rather not give an opinion upon that.

1877. Do you think it would be advisable to give power to liquidators to compromise with shareholders for unpaid calls?—Do you mean without any leave of the Court?

1878. Yes; or would you require them to go to the Court for confirmation?—It is a very large power; the calls have been sometimes a large amount. Of course the compromise bears some proportion to the case; I have known calls amounting to 30,000 *l.* upon a single man; I think it a strong thing to allow any official to compromise so large a claim as that without some sanction.

1879. Then you would suggest, and perhaps recommend, that any such power should be confirmed by the Court?—I would not say necessarily by the Court, but that there should be some third person to check the compromise.

1880. But if not by the Court, by whom could such a power be confirmed? If the liquidator is not to have power to effect a compromise in certain cases, to whom would you give that power?—It might, of course, be by beneficiaries who are entitled to the fund; but

Mr. *Church*.

2 July 187

Mr. *Ashbury*—continued.

I have already stated why I do not think they are desirable persons to have it in their hands. I do not think that you can have any better sanction than that at present in existence; it is not costly, and it is very expeditious. The proposal of compromise is submitted in the first instance to the chief clerk, and if it is a simple easy case, he confirms it, and there is an end of it; if, on the other hand, he has any reason to doubt the prudence of it, or is a little shocked at the magnitude of it, he adjourns it to the judge, who hears it in his chamber, and the whole matter does not occupy much time or cost much money.

1881. Assuming, in connection with the appointment of a liquidator by the petitioner (which I think you said in some cases led to wrecking, when the liquidator was appointed at the request of the first petitioner), that the board of a solvent company took exception to the appointment, and nominated one of their own body, with the consent of the majority of the shareholders, the Court, in such a case, I suppose, would probably confirm that?—Yes, they would, probably.

1882. You appear to think that the issuing of very detailed balance-sheets might, under some circumstances, be prejudicial to the interests of the company?—It occurred to me that it might.

1883. In such a case should there not be an obligation on the part of the board of directors to give the shareholders an opportunity of inspecting, at the company's offices, the balance-sheet, which might be injurious if sent out to the shareholders?—I do not know whether it would be possible (I am not a man of commerce) to work a company with such a fetter; but otherwise I should think that the duty of the directors was to give the fullest information to every shareholder, and that every facility should be given to the shareholders to get that information.

1884. If the balance-sheet were not sent out annually or semi-annually to the shareholders, or if they were not permitted to inspect it at the company's offices, the shareholders would practically have no means of knowing the position of the company?—No doubt.

1885. When a liquidator is appointed, has the solicitor the power to correspond with the creditors, shareholders, or others, without the assent of the liquidator?—In strictness, I suppose, according to the rules, he has no business to do so, but of course a wide discretion would always be left with the solicitor.

1886. But if very much discretion were given to the solicitor in such a case, would it not; as a matter of fact, open a very great field for a solicitor to run up a bill, for the sake of making costs, if not controlled by the liquidator?—He would be controlled by the taxing-master.

1887. That is to say, to the extent of taxing the costs?—The taxing-master's duty is to disallow all work which has been idly and superfluously done.

Chairman.

1888. The object of the Act that we are considering was to incorporate companies with limited liability, was it not?—I suppose so.

1889. In order to do that, you must have somebody to incorporate?—Yes.

1890. What these Acts provided was that there should be seven persons who should sign a memorandum of association?—Yes.

1891. Is not that a reason for requiring that, without supposing that it meant any guarantee

Chairman—continued.

on the part of those persons?—No doubt; that view has occurred to me, and I have always had a doubt as to whether it was the business of the Legislature to protect people against their own folly; but certainly the result has been that companies have been formed, and that very grievous frauds have been practised, and a number of poor people have been ruined; and one naturally turns to see if something can be done to avoid it.

1892. Can you suggest any payment, or anything that could be demanded from persons forming the company, that would really give security to the persons who put money into that company, independent of the character and the positions of the persons forming it?—No, I do not think that could be done; but, at all events, it would be some guarantee against their being persons wholly without means.

Mr. *Gregory.*

1893. A certain portion of the capital might be subscribed for?—Before the machinery of incorporation, do you mean? I do not know; that would be difficult, would it not?

1894. You know what the case is in railway companies, for instance; that Parliament, before giving them an Act, requires that a certain portion of the capital shall have been subscribed, and a certain deposit paid?—Yes; I do not think that is a very good illustration of the advantage of deposits. I think we know that those deposits have been found without, in fact, representing anything substantial.

1895. They have been found, but still there has been a deposit?—Yes.

1896. And that has been to a certain extent a guarantee, has it not?—Well, I should have doubted whether it was to much extent a guarantee.

1897. Is it not the case that in many cases that deposit has been absolutely forfeited?—I believe there are cases in which they have been unfortunate in trying to get it back.

1898. If people have to find money, and that money is liable to forfeiture if the scheme is not carried out, does not that money form a guarantee for the *bona fides* of the scheme?—No doubt, if you say that 7 or 70 men shall subscribe 100*l.* apiece, you have a guarantee that there shall be 700*l.* or 7,000*l.* subscribed, and that the people are worth that money at least; whereas at present you have no guarantee that they are worth more than what they actually subscribe.

1899. Then again, let me ask you, do you know that the share may be of any amount nominally?—Yes.

1900. With little or nothing paid upon it. Did it ever occur to you that the amount of the share should be limited in some proportion to the amount originally paid upon it?—I think probably that would be well enough, but there has been a very great change which has taken place in that respect, consequent, I think, upon the winding-up cases of 1866. In 1866 we found companies with shares of large amounts uncalled; one large company, I recollect, with 100*l.* shares, and 10*l.* paid; the company came to grievous disaster, and the claims that were made were therefore 90*l.* per share, and the amount was ruinous to almost all the contributories; none but very strong men could stand against a call on 100, or 400, or 500 shares for 90*l.* a share. I observe that in the case of companies

Mr. *Gregory*—continued.

panies which come to be wound up now, and which are only small concerns, the shares are small in amount, and by the time they come to be wound up their shares are wholly paid up, or very nearly paid up in full, so that the calls are no longer what they used to be.

1901. Do not you think that in a time of speculation and cheapness of money what has been done once will be done again?—They paid the penalty so severely that I do not think they would be likely to try it again.

1902. We have had experience of commercial panics from time to time, but they have not prevented further commercial panics, have they?—Any opinion that I give on a point like that is given with great hesitation; I have no pretension to be an authority on that matter.

1903. You have spoken of the objections which may be taken to the appointment of an official liquidator; have you ever known those objections taken, in the course of your experience?—Yes, certainly.

1904. Has incompetence been alleged?—I have had the objection taken before me of youth, and I have had the objection of misconduct taken; but the more frequent course is that the person proposed has been so mixed up with the company that he cannot act impartially; that is the common form it takes. I do not very often have direct charges of misconduct.

1905. I suppose that is very rare, in fact?—Very rare indeed.

1906. And of course it is an invidious and difficult point to raise?—Yes; it is useless to raise it, unless they are prepared to go the length of proving it home; and they are not.

Mr. *Chadwick.*

1907. I should like to ask you the best remedy for an acknowledged defect. Mr. Newmarch, representing the commercial community, made a complaint that a great many liquidations remained in the hands of the official liquidators for an unnecessarily long time. The three official liquidators we have had before us, I think, concurred in this view, that there was some difficulty in closing earlier, because the Court required them to make a declaration that they had realised all the assets, and distributed them in the payment of the debts?—That is not quite accurate. The Court requires them to declare that the affairs of the company are completely wound up, not that all the assets are realised. The usual affidavit is this: "I have got in all the assets which are worth pursuing; there remain outstanding certain things specified, but I have no hope of getting them in at all, or at all events not at present, and I do not think it desirable to keep it open any longer." That is the sort of representation on which we make the final order.

1908. I want to ask you for a suggestion to prevent the delay in closing official liquidations for want of that statement; and I want to suggest to you, whether the Court would not allow official liquidators in that case to sell, by public auction or otherwise, all unrealised assets, so as to distribute the proceeds at once?—That may be done, and has been done; there are several instances in which the Court has sanctioned a sale, in gross, of the unrealised assets.

1909. Do I understand from you that if a lipuidator come before the Court and said, "This liquidation has been in hand so many years; it is standing over for certain unrealised assets; we recommend the closing of the liquidation, and the sale of the assets," the Court would, as a general rule, give its assent?—Yes, that has been done.

Mr. *Chadwick*—continued.

Mr. *Rylands.*

1910. I understand that your experience distinctly points to the fact, that the losses occasioned during the recent discredit of limited companies has led to much greater care on the part of those joining the companies?—I think it has.

1911. That, in fact, companies now do not go before the public with a large amount of unpaid capital to the extent that they did formerly?—Certainly. I am of opinion, from what I have seen, that the modern companies are constituted in such a way, as not to leave an enormous amount of uncalled capital.

1912. You have been asked whether what has occurred once may not occur again, as we have seen repeated panics followed by periods of prosperity, and then succeeding panics; but does your experience come to this, that when panics occur, they often take their rise in entirely different circumstances from those of which the public had previously had experience?—I have no doubt that is so. At the same time, I should be misleading you if I pretended to have any special knowledge of any panic, except that one which led to the great winding up.

1913. Do the Courts take any steps at all, when a liquidation has been on for a long time, with a view to bring it to a close?—No, never; the business of the Court is to hear and administer justice to anyone who comes before the Court for it; but if the plaintiff and the defendant, the contributory and the creditor, are content with *laissez faire*, the Court does not trouble itself with it.

1914. Is it at all usual for any shareholder or person interested in the affairs of any company to come to the Court to ask them to call the liquidator to account?—Nothing is easier; but, at the same time, he is fighting against a long purse, and it is a dangerous proceeding.

1915. Is it not the fact that the danger of that proceeding renders people very indisposed to take action in such a case?—It is quite certain that they very rarely do take such action, and judging from general principles and one's knowledge of mankind, I think it is very probable that the apprehension of an adverse decision with costs is the thing that keeps them away.

1916. Could you, with your great experience, suggest any mode by which the liquidator might be brought more readily to account in the case of these long-standing estates?—Indeed, I cannot; you see nothing is more simple; you want to complain to me, and through me to the Master of the Rolls, of the misconduct, as you think, of a liquidator; on payment of 3*s.* you may have the liquidator before me three days hence, and state your case, and say, "I demand to have this brought before the judge," and by that day week you have him before the Master of the Rolls; you cannot have anything more speedy, or in theory more cheap; but in practice it comes to this: I say, "What are your definite charges? Give me a list of the charges upon which you will produce your evidence in support of those charges; I will give you a fortnight to do it and him a fortnight to answer it, and you so many

Mr. *Church.*

2 July 1877.

Mr. *Rylands*—continued.

more days to reply;" and between you you cover the table with affidavits; it is adjourned into court, and counsel are retained, and a few hundred pounds are gone before you can turn round.

Mr. *Orr Ewing.*

1917. You have stated that you thought that in the formation of companies there should be some greater safeguards for the protection of the public or the shareholders?—Yes.

1918. But in answer to a question from the Right Honourable gentleman in the Chair, you said that you doubted whether the Legislature intended to attach any responsibility to the promoters of a company?—No, I do not think I said that; I was misunderstood.

1919. That was not your intention?—No.

1920. Prior to the Act of 1862 companies were like private co-partnerships, were they not, the individuals being liable for any money which they might possess?—Until the invention, if I may use that word, of limited liability, a shareholder in a company had the same liability as a partner; his whole estate was liable.

1921. All companies for the carrying out of great works were obliged to come to Parliament to get a special Act of Parliament?—Yes, or they might get a charter; there was a power to grant charters with limited liabilities by the Crown; they were very sparingly granted, but there were such powers.

1922. You never knew of any company started under that charter, did you?—I think I did; certain steamboat companies certainly have a Royal charter with limited liability, and I think some Indian banks had such a charter; they are not numerous.

1923. Therefore the Acts of 1856 and 1862 and 1867, conferred great privileges upon shareholders of limited liability companies?—Yes.

1924. And they had an opportunity of trading without being responsible as to fortunes which they might have otherwise?—Yes.

1925. Do you not think that that Act has sometimes been injurious; when men have entered into business, requiring small capital but much skill, the use of that Act has brought in an unwarrantable competition with private enterprise?—You are asking me a question which is so completely outside my experience, or habits of thought, that I would rather not give an answer to it.

1926. Do not you think that the tendency would be that?—I suppose it would; it has all the appearance of being a reasonable proposition.

Mr. *Orr Ewing*—continued.

1927. Do you think that the Legislature, when granting the privileges to the promoters of these companies, did not intend, at the same time, to give some protection to the public?—Protection against what?

1928. Protection against loss?—I have no doubt that the Legislature intended that the persons who gave credit to the company should have indemnity to the full amount of the limit of the shares.

1929. Do you think that the policy of these Acts for small concerns has been at all beneficial to the country?—The only means that I have of forming any opinion upon that subject is that, so far as the winding up has shown me, I should say that the application of limited liability to small concerns has been unsuccessful.

1930. That they are so heavily weighted from the mode of conducting their busines?—I suppose they must be; their management expenses must eat up so much.

1931. At the same time, you are not quite prepared to say that, so long as they exist, they may not have been injurious to private concerns?—I am not competent to give an opinion on the subject

1932. Would you suggest that public companies should be limited to a certain amount of capital; that is to say, that the Legislature should endeavour to prevent public companies being formed for carrying on a business, which can be sufficiently well carried on by individual capital and enterprise?—That, again, seems to be a financial and not a legal question, and therefore outside my experience. I do not think that any opinion I have on the matter is worth stating to you.

1933. Do you think it is good policy to do anything by an Act of Parliament to permit people to enter into a business, and to compete with others who are liable for all, while they should be only liable to a limited extent of their capital?—I am almost ashamed to give an opinion on a subject of which I know so little; but my opinion really is, that I would give them the power, and let people do as they please.

1934. Do you not think that those Acts in their inception are paternal, or Acts protecting individuals?—I do not suppose that was the idea of the Legislature.

1935. You would not suppose that it was by Act of Parliament that provision was made for the game of "heads I win, tails you lose"?—I came here as a lawyer, and you are asking me questions outside my province.

Mr. David Chadwick, a Member of the Committee; Examined.

Mr. *Chadwick*, M.P.

Chairman.

1936. Have you been concerned in matters which this Committee is appointed to consider?—Yes; I have been concerned as a public accountant, having been in business upwards of 30 years, and having been the head of a firm who have invested very large sums of money in limited liability companies. I should be glad to refer to a few facts, justifying the clauses in the Bill which I introduced into the House of Commons last year, and which has been again introduced this year, and read a second time, and has been referred to this Committee.

Chairman—continued.

1937. Perhaps you will allow me to ask you this: your Bill begins by repealing a clause of another Act?—It does.

1938. What is your opinion of that clause?—Clause 38 in the Act of 1867 was introduced with a view of enforcing the disclosure of contracts, intended to be taken over by companies established under the Limited Liability Acts; but the wording of that clause has been found so defective, that under it many companies have been brought into liquidation, and very great expense and loss has been incurred.

1939. How

Chairman—continued.

1939 How has it brought them into liquidation?—Many companies have been brought into liquidation, by reason of the Act not stating distinctly that all contracts should be disclosed, and the consequence is that many companies have not deposited copies of contracts by which the companies were bound, as shown in the litigation in various large concerns now before the Courts.

1940. Do you approve of the principle of the Act of 1867?—Entirely. I approve of the intention of the 38th clause; but I think it does not go far enough, and I would require the disclosure of all particulars.

1941. Do you not think that the law of fraud, as it exists at present, is sufficient to reach the cases?—I do not think the law of fraud is sufficient to meet the cases. If you give parties the power to combine at all, and the privilege of a chartered incorporation, I think they ought to be under this obligation. I think Parliament has done wrong in giving them such privileges, and not requiring all the information which was always required before that time, before a charter of incorporation was granted.

1942. Would not the doctrine of fraud be sufficient to reach these cases without any Act at all?—I am not sure of that; but as the Acts specify that certain contracts shall be disclosed, my Bill includes all contracts binding upon the company, the agent, promoters, or anyone that gets any benefit out of the transaction, or sale of the property, or establishment of the company. This clause is intended to require a full and complete disclosure of the pecuniary benefit which everybody gets, in connection with the sale of a property, or in the formation of a company.

1943. But if people get pecuniary benefit, and that is concealed from the public, are they not without any Act, liable to be treated as fraudulent?—That is a legal question, which I am not competent to answer.

1944. Take the Sombrero case, recently decided by the Master of the Rolls; that was decided upon the law of the land, not upon this Act?—I do not feel called upon to express any opinion as to the law of the case. I take the common sense commercial view of the question. I am certain that in every honest and *bonâ fide* company, no harm whatever would ensue if you required all the particulars specified in Clause 4 of my Bill, and it would not prevent one honest company from being formed.

1945. Will you proceed with any remarks you have to make upon your Bill?—In regard to Clause 5: "That before any company shall be established two-thirds of the capital offered in the prospectus shall be taken up, and that no allotment shall be binding unless it be made within 28 days of the application." This clause is intended to provide for an acknowledged defect. The loose way in which the Act of 1862 was worded, by which any seven persons could form a company by subscribing for one share, or paying up 1*s.* per share, and then have the power of advertising to the public, and obtaining subscriptions, has led to a great many losses. The object of this clause is to make every company *bonâ fide*, and that it shall not have the advantage of incorporation under the Limited Liability Acts, without two-thirds of the capital being subscribed. I strongly recommend that.

1946. How do you propose to have evidence of the fact that two-thirds have been subscribed?—Simply by the *bonâ fide* allotment of two-thirds of the entire capital. I would make it myself three-fourths or even 90 per cent.; but I have altered this to two-thirds, in order to meet the views of some gentlemen whose names are on the back of the Bill, and because the Stock Exchange requires, before quotation, two-thirds of the capital to be subscribed. Personally I would go to the extent of saying that all capital should be subscribed, or at any rate, 90 per cent., and there would be no hardship to any company that ought to be formed, and have the advantage of these Acts. Then the latter portion of this clause, No. 5, meets an acknowledged defect. Persons send in an application; it stands over for three or six months; they forget that they have made it, and in six months' time they find that their old application is revived, as it were, and that they are bound by it. This clause says: that unless the allotment is completed within 28 days, it shall be void. Clause No. 6 of this Bill is intended to provide for another defect in the Acts of 1862 and 1867, and says that seven days after making the first allotment, a copy of the same shall be sent to every allottee. When I drafted this clause originally, it had in it, "The name of every allottee and the number of shares held by him," but that was considered by some objectionable; I should like to have it replaced. I think that every person who is a subscriber to a joint stock company should know his co-proprietors, and know with whom he is associated, and know exactly the amount of capital which each shareholder has in the company.

Mr. *Isaac.*

1947. You would add words to that effect?—I would add words to make it read: "A printed list of the names and the number of shares held by each allottee." Now Clause No. 7 of this Bill is intended to meet another acknowledged defect. The Act of 1862 provided a form of balance sheet where companies were established under Schedule A.; and I daresay it was the idea of the Chairman of this Committee as the auther of that Act, to some extent, that a great many of the companies would adopt Schedule A. The fact is that, I suppose, not one per cent. of the companies established have adopted Schedule A. The consequence is the form of account stated in the Act of 1862 is perfectly valueless for all practical purposes. I have no objection to the form in Schedule A, but it requires particulars in some cases which make it not so generally applicable as the schedule specified in this Bill. I can speak with very large experience as to the value of this balance-sheet. My firm are the auditors for 62 joint stock companies and private firms, representing upwards of 30 millions of paid-up capital; their accounts come before myself and the members of my firm; and this is a form of balance-sheet that would, from our large experience, be applicable, as Mr. Newmarch said in his evidence, to nine cases out of ten, or even 99 cases out of 100, of joint stock companies, and there would be no difficulty in disclosing in any company that I can imagine all the particulars specified in this balance-sheet. I should just like to remark in regard to the evidence of Mr. Price and Mr. Harding, who said that they preferred the form of balance-sheet in the Act of 1862, that

Mr. *Chadwick*, M.P.

2 July 1877.

Mr. *Isaac*—continued.

that I am not aware that I should object to that if it could be carried out; but in regard to the profit and loss account, I think they rather misunderstood it, or have not given themselves sufficient time to look at it. Mr. Price said he could not understand what was meant by "expenditure on account of capital and management during the year;" he forgot to read "namely." Now this profit and loss account is based upon the profit or loss statements of nearly all the large banks in the kingdom. It is to bring down the gross profit for the year divided into as many departments as you like, and then show what have been the payments on account of interest on money, dividends, and management, including directors' remuneration. Another very important point, and which I think should be carried out, is, that in these two statements you require a certificate by the directors. The Act of 1862 is exceedingly defective in not requiring the directors themselves to be responsible as far as they know for the correctness of the statements in the balance-sheet and accounts. Another new point in these accounts is that the auditors' certificate is very much enlarged. Of course, the short auditors' certificate, "examined and found correct," means in many cases very little. I attach particular importance as a professional auditor myself to this, that the auditors' certificate should be as set forth here. I will read it. "We have examined the above balance-sheet and profit and loss account, and compared the same with the books and vouchers of the company, and with the certified stock accounts, and bankers' and other balances, and have examined the schedules of assets and liabilities, and certify that to the best of our knowledge and belief they are correct." Now I say that this is a certificate that we, as professional auditors, could make in each of the banks, commercial undertakings, and trading companies, for which we are professional auditors, and there is no case of exception in the whole of the audits in which we have yearly, and quarterly, and monthly to certify. I may also say that, having been the President of the Institution of Accountants in Manchester for some years, and having sent a copy of this form of balance-sheet and account, both to the Institutions of Accountants in London, Manchester, and Scotland, I have found no practical objection of any kind ever raised it. I am, therefore, very strongly of opinion that Parliament should require every company, with the privilege of limited liability, to print and publish their accounts, and also a statement of their proceedings. Clause 8 in the Bill is a clause giving to the shareholders an easy and practical means of enforcing the carrying out of Clause 7; and that where the directors neglect to publish either their report or balance-sheet, they shall be able to go upon a mere summons to the Vice Chancellor in any of the Courts, or the Master of the Rolls, and obtain his order for carrying it out. This clause, when originally drafted by me, contained a power that the judge might fix a penalty not exceeding 5 *l.* per day upon any company neglecting to publish these reports and statements; but some of the gentlemen, with whom I was associated in this Bill, thought the penalty was unsatisfactory, and it is struck out; it gives, therefore, only the power to the Court to charge the applicant, or the company, with

Mr. *Isaac*—continued.

costs. Clause 9 of the Bill is intended to remedy another acknowledged defect in the Acts of 1862 and 1867. There is power to reduce the capital by the Act of 1867, where such capital is uncalled; that is, with the consent of the creditors, and by the addition of the word "Reduced," for 12 months; but it gives no power to the company which happens by bad trade, or otherwise, to have lost a portion of its paid-up capital, to reduce and strike off such lost capital. This clause gives such power, and I conceive it would be very valuable. There was a case before the Master of the Rolls where the Ebbw Vale Company wished to reduce their paid-up capital; and the Master of the Rolls stated that he had no power to allow them to do it, and expressed his regret that no such power did exist. Clause 10 is intended to give any company power to adopt the clauses of this Bill, so far as the annual reports, and the making out of the accounts, goes. And when this Bill was first drafted there was another clause which required liquidators, whether the liquidation was official or voluntary, under the supervision of the Court, or voluntary under the supervision of a shareholders' committee, or otherwise, to make a report every six months of their proceedings, and a statement of the receipts and expenditure. At present there are liquidations that have been in hand many years, where reports have not been regularly made, and I think it is the defect of the law rather than any fault on the part of the liquidators; but it was intended to remedy that defect; and I should like that this Committee should recommend that liquidators, when they have sole charge of the business of any company in liquidation, should be required to make out a half-yearly, or a yearly, report of the business they have transacted, just the same as the directors would have done, and also to make out in like manner a balance-sheet, or a profit and loss statement, or a statement of their receipts and expenditure under proper heads, and showing exactly the payments to the liquidator, clerks, office expenses, and other charges.

Mr. *Ashbury*.

1948. As the result of several years' experience, are you of opinion that the various companies which you have brought out were good, sound, going concerns, and that the subsequent cessation of dividends arose from either bad management or trade?—I am quite sure of one thing, that all the companies we have brought out have been good and sound and honest concerns, because we have had no concealment in regard to charges of any kind; and there are very few of them that have gone into liquidation. As to the cause, I do not think I am called upon to express an opinion.

1949. Do you mind telling the Committee in general terms the causes which in your opinion have caused the companies to go into liquidation to which you refer?—I think for instance in the present bad trade, in the iron trade, or in the coal trade, any company that has been established during the last two or three years and which has not had the advantage of the extraordinary profits of the previous two or three years, might very well be thrown into liquidation without any great fault of its own.

1950. I suppose we may take it for granted that in all the companies you have brought out, the

Mr. *Ashbury*—continued.

the contracts were included, and brought before the notice of the shareholders or provisional director?—Yes; I may state freely that I have understood and interpreted the Act of 1867 as to setting forth contracts, to mean nearly all that I have stated in my Bill before Parliament; the full disclosure of everything, no secret contracts, no secret payments to anybody where the company was concerned.

1951. Where the contracts were not disclosed (I am not speaking of your own cases, but of cases within your knowledge), was it in your opinion accidental or otherwise?—I do not know; I have always understood the Act of Parliament to require the disclosure of all contracts, and there have certainly been no contracts concealed in anything with which my firm has had to do.

1952. I understand you to express an opinion, that if you had your will, all the capital should be paid up, at any rate about 90 per cent. of it, before the company was allowed to be started?—Subscribed for, I said, not paid up.

1953. But in that case, if subscribed for, how much would you propose should be paid in full?—Just according to the necessities of the company. In the case of a marine insurance company, or a fire insurance company, I should not like to bring out any such company if they did not leave at least 80 or 90 per cent. of the amount subscribed for as uncalled, to be ready in case of emergency. In the case of a trading company, I think it is very prudent and very proper to have from 25 to 33 or 40 per cent. uncalled out of the subscribed capital; without that they cannot stand in the market with proper credit.

1954. Now, in manufacturing companies, especially under these Acts, companies from time to time require money when it is not desirable to make calls; what proportion of debenture capital in that case should exist of the share capital?—I think it would be desirable to limit the issue of debenture capital by any company, to about one-half the amount of the paid-up share capital of that company; and I should not consider it myself a prudent thing to go much beyond that amount.

1955. Do you mean paid up or to be paid up?—I mean paid up.

1956. Supposing a company existed with 200,000 *l.* of which 100,000 *l.* was paid up, in that case the amount of debenture capital which they would have power to issue would be 50,000 *l.*?—Yes.

1957. If a balance-sheet, in the fullest detail, were not sent to all shareholders, how could they know the position of the company's affairs?—The balance-sheets ought to be sent, or be open to inspection; and there is no weight whatever in the fear which has been expressed, that any company has anything to fear by the disclosure of any fact required by the balance-sheet in the Bill. I can state most positively that not only would it do no injury to any one of the companies for which we are auditors, but I do not know a company to which it would not be of advantage.

1958. And are you of opinion that it would be extremely dangerous to give a board of directors power to withhold a balance-sheet on the ground that the contents of the balance-sheet might injure the company?—I can imagine a very extreme case, and I can imagine that it might be prudent, in a certain case, where there was a great cloud hanging over a bank or a great commercial house, or the chance of making a large bad debt, that the director should come forward and say, "Appoint any number of the shareholders as a committee to assist the directors, but the circumstances are such that it would not be prudent to disclose everything in connection with that account."

Mr. *Ashbury*—continued.

1959. Then, where in extreme cases in the opinion of the Board, it would not be desirable to issue the balance-sheet to the shareholders in the usual manner, you think, in that case, that the largest shareholders should be consulted, and confer with the directors as to whether they should or should not issue that balance-sheet?—Yes, and they should only be authorised to withhold the issue of the balance-sheet by the almost unanimous voice of the shareholders.

1960. But supposing that by a vote of the shareholders it was so directed that the balance-sheet should not be sent out to the shareholders, would you see any objection to the balance-sheet being inspected on the premises of the company by any shareholder who might desire to see it?—Well, not generally; if there is any objection to sending out the balance-sheet, there might be an objection to any shareholder inspecting it; because the greatest enemy of the company in his special emergency might make himself a shareholder in a single day, and then you might as well publish the balance-sheet, in which case the object would not be attained.

1961. I understood you to say that you would not delegate to the Board the power of withholding the balance-sheet without the consent of a considerable majority of shareholders?—I would delegate to the shareholders every power of that kind, but not to the Board. I consider that the withholding of a balance-sheet, and a profit and loss statement, such as are provided by this Bill, would be a very serious thing. It gives no particulars as to the trading of the company, only as to the result at the time stated; and I say that the withholding of that is a serious thing, and should not be tolerated except with the consent of the shareholders.

1962. Clause 10 of this Bill says: "Any company formed and registered under the Companies Acts, 1862 and 1867, may, by special resolution, adopt Clause 7 of this Act." That appears to me a little vague. I suppose you mean that a formal notice should be sent to all shareholders, giving in detail the terms of the proposed resolution, and that they should be subsequently confirmed by a subsequent meeting in the usual manner?—The words "special resolution" here used are defined in the Acts 1862 and 1867 to mean a resolution by a meeting of shareholders specially called to consider this subject, and to be confirmed by a meeting convened not less than 14 days afterwards; therefore, the words "special resolution," mean all that you have indicated.

Mr. *Hopwood*.

1963. You have set yourself, at the same time that you repeal it, to prepare a substituted and enlarged enactment for Section 38 of the Companies Amendment Act of 1867?—Yes.

1964. In what way do you, in comparing the language, show that your substituted clause will not be evaded as the other one was; can you show us how far you have spread your net wider and made the meshes closer; how do you think it more effective than the previous section?—The

Mr. *Chadwick*, M.P.

2 July 1877.

Mr. *Hopwood*—continued.

38th section of the Act of 1867 says, that every prospectus shall specify the "dates and the names of the parties to any contract entered into by the company, or the promoters, directors, or trustees thereof, and whether subject to adoption or not," and then it declares that any prospectus or notice not doing so shall be deemed fraudulent. The words there have, I suppose, had many interpretations placed upon them, and in the last case of Twycross *v.* Grant, the four judges in the Court of Appeal have differed as to the meaning of these words. I would, therefore, remove the difficulty, as I proposed by the Bill of last year, by endeavouring to make it as plain as words could make it to the common sense and common apprehension of ordinary people; and these words are intended to meet that view. In effect it says that a person shall not come into the position of a promoter, director, or other person interested in getting up a company without disclosing all the facts of the case, such as would be required in the negotiation of a private partnership. If words could be made more specific and requiring, and exacting more particulars, I should willingly introduce them.

1965. You have dwelt on the difficulty of the task that you were endeavouring to prohibit something fraudulent being done on the part of the public?—Yes.

1966. And that the person seeking to evade it will fix his eyes on the clause in your Act of Parliament, and see whether he can find a crevice through which he can creep?—I presume that laws are made for the wicked, not for the just. Those who have given a wide interpretation, and have formed joint stock companies honestly, have had no difficulty from these words.

1967. I see the main part of your clause, as compared with the other one, is, that it requires not only the names, but the addresses and occupations of the parties. In the 38th clause of the Act of 1867, it speaks of "the names of the parties to any contract," and you say, "the names, addresses, and occupations of the vendors of any business," and the vendors of any business are parties to a contract?—Yes.

1968. Then you conceive that you have provided all that can be provided by that clause; I observe that as to the word "fraudulent," you have followed the words of the previous enactment of 1867?—Yes.

1969. Can you give us any general instances of the sort of contracts that are kept back; any familiar instances?—I can only give you the instances of the cases that have come before the Courts, which are familiar to everyone, where contracts have been made for the benefit of the parties interested, and have not been either mentioned or disclosed, and neither the dates nor the names or addresses of the parties to such contracts have been disclosed. It is intended to make it quite as large as in the Act of 1867, but also to apply it specially to the promotors, directors, trustees, or officers.

1970. But in respect of the person, the same person is likely to be deceived or defrauded as a shareholder?—Yes.

1971. What occurs in the Courts we may assume we all know something of, but are there any other matters that are more hidden, that have come to your knowledge in the way of some instances that you could give us, that would affect our minds, and require us to legislate on those points?—I could mention scores of cases that have not yet come before the Courts, where what I have always understood was a fraudulent suppression of facts has been known. I could mention many cases where properties have been offered to my firm, and have afterwards been the cause of litigation and other arrangements; but I do not think I am called upon to do that, because it is a matter of such notoriety. I would prefer, as a matter of faith, not to enter into those details, which would appear to me to be setting myself up as something very exceptional against other people, and I have no desire to do that.

1972. I will put the question generally; has it ever come within your experience that you have been applied to in cases where there have been matters which ought to have been disclosed, and you have discovered that they were not, so that you did not proceed; is that the way you put it?—There were many. I will only mention two, because they were brought into court; there was the case of Bagnall's, in which we stated to the representatives of one of the trustees that our charge would be 1 per cent., and that a mere trifling cost would be incurred for expenses. That is one case where it went into other hands, and came into litigation, and I was amazed to find that instead of the 2,000 *l.* or 3,000 *l.* which would have been the charge of my firm for doing everything, there was 60,000 *l.* paid willingly, it appears, by the trustees of Bagnall as commission, besides other large sums put upon the purchase by parties connected with it.

1973. I was rather pointing to questions of contracts such as you in your Bill are providing should be fully disclosed. I wanted to lead you to that; if there was any apt illustration or type which you could give us?—There are so many. Our general rule is simply to take the ordinary instruction to sell or dispose of property, and if done without the formation of a joint stock company, our universal charge is 1 per cent.; we never charge more, and we never take less, except under very special circumstances. If we form a company, our universal charge is 1 per cent.; we never take more or charge more, unless it is some foreign transaction in which there are very large or extraordinary expenses to be incurred, and we know of no contracts except such as are of that kind; every contract for the purchase of property has in all our cases been fully set forth; there has never been any concealment in the investment of nearly 50,000,000 *l.* of money in joint stock and other companies by my firm, or any intermediate profit of any kind that was not disclosed. We have been mere agents in the matter, between the investing public on the one hand, and those who had got property to sell on the other; and therefore we never promoted a company, and never said that we were promoters; we have always denied that we were promoters in that sense.

1974. With regard to these questions of the balance-sheet, and so on, you contemplate that there may be some cases, a rare per-centage, in which it would be dangerous to the company to disclose them?—Perhaps 1 per cent., or under very extraordinary circumstances.

1975. And in those cases, you contemplate giving to any shareholder the right to enforce before a judge the disclosure?—Yes, I do.

1976. Of course, if you imagine such a case, the

Mr. *Hopwood*—continued.

the very effort to bring it into court, and the resistance on the part of the company would pretty nearly do the damage?—No doubt.

1977. Is that quite fair to such a company?—I do not know a case; I cannot imagine a case where it ought to be suppressed.

1978. There is another legislative precedent, is there not, for this question of a balance-sheet in the case of insurance companies?—And also in the case of building societies and railways; and very great good has resulted from the statutory enforcement of the balance-sheet of insurance companies, railways, and building clubs, on the Parliamentary model set forth in the Acts.

1979. But there is a mystery about figures, is there not; may not an artist arrange them in such a way as to elude observation?—If you give this balance-sheet in the schedule to the Bill, in any case any experienced man or accountant would be able to find the weak place in any company, but without a proper balance-sheet he could not do it.

1980. Then you think that on the face of it you have provided for such disclosure as would give, if not all information, the means of inquiry to any competent accountant?—Yes; I may first say, referring to the balance-sheet, that as originally prepared, it required the balance-sheet to set forth the amount of depreciation, but finding that that was subject to a difficulty, and that every amount of depreciation deducted was subject to income tax, and that it was much better rather than depreciation to re-value, I thought that all that could be obtained by ascertaining on what principle you arrive at the value of the properties forming part of the assets of the company.

1981. Have you had any experience of the winding up of companies at all; have you yourself, or your firm, been official liquidators?—I have never been official liquidator in any case myself, I think, as I have always refused to do bankruptcy work or liquidation work, unless it was connected with some effort of reconstruction; but I have been connected, and my partner has been liquidator, in many notable cases of reconstruction of fallen concerns, such as the Agra Bank. I believe the whole scheme of the reconstruction of the Agra Bank was devised by me, and it agreed almost identically with another proposed by Mr. Thompson; and Mr. Thompson, and my firm, and the committee, reconstructed the Agra Bank, and I have no doubt that we saved very large sums of money.

1982. Was it winding up under the Court?—Yes.

1983. Voluntary, but under supervision?—It was a winding up under the Court, official liquidation under the Court.

1984. Then I suppose that at some early period you induced the Court to give that over to the charge of the committee?—Yes; but it is a very long story, which I will not go into unless you desire it. There are also the cases of the Bank of London and the Preston Bank; these cases are matters of public notoriety at the present day. My firm took a principal part in their reconstruction.

1985. You have formed no judgment on the question of what value to put on the official liquidator's services?—I think the official liquidator ought to fix the value of his own services to a very great extent; but as the Court can fix a proper remuneration he has always the opportunity of saying yes or no. Many years ago, I fixed the value of my professional remuneration at a very high figure, for the reason that I could not take anything like all the business offered to me; I did the same as successful barristers do, increasing my fees in proportion as the press of business came on me.

Mr. *Isaac.*

1986. On the question of the Agra and Masterman Bank, and the reformation of it, is not that at the present moment the cause of some action on the part of some of the persons connected with it; there was a dispute, I think, between some of the directors and the official liquidator?—As I am so intimately connected with every transaction connected with that, I should prefer not to express any opinion, especially as it has been so fully stated by Mr. Morris, the solicitor to the bank, in his evidence.

1987. Are there not some legal proceedings going on between Mr. Canaan and some of the persons connected with that reconstruction of the Agra and Masterman's Bank?—I only know it by hearsay.

Mr. *Orr Ewing.*

1988. Does one per cent. cover all your charges?—Yes, and also includes all the payments we make to brokers and agents in the matter.

1989. You charge nothing for clerks or expenses?—Nothing for clerks; but all expenses are paid besides.

1990. But no separate charge made for any labour performed by you?—No.

1991. Your object in bringing forward this Bill is to endeavour to remedy the disasters which have happened in the cases of some companies started under this Act?—It is an endeavour to make limited liability companies honest, honourable, and respectable, and to remove the cloud that now hangs over them.

1992. You think if they were made so they might be more successful than they are?—Yes, and I should like to stop the making of any but companies likely to be successful.

1993. How many companies have you started under these Acts, may I ask?—I think about 50 or 60.

1994. Can you remember the capital?—I find that in 1867 I gave evidence that we had then established 40 companies with 40,000,000 *l.* of capital. It should have been said that that 40,000,000 *l.* of capital involved a great many other investments, private and public. I suppose at that time we had invested in limited liability companies about 20,000,000 *l.* of money; and during the 10 years subsequently I should think we have invested more than 20,000,000 *l.* of money; that is to say, that my firm has invested on an average during the last 10 years something approaching to two millions a year.

1995. In other words, you have floated companies to the extent of 40 millions of capital?—I should think so.

1996. May I ask how many of those companies are still going?—Nearly all of them; nine out of 10; more than nine out of 10.

1997. And have they been on the whole successful?—Eminently successful.

1998. And you attribute that very much to the

Mr. *Chadwick*, M.P.

2 July 1877.

Mr. *Orr Ewing*—continued.

the care with which you floated them?—I attribute that to the care with which we formed them, and to the fact that they were at first honestly formed, and in nearly every case the directors have been the largest shareholders in the company. No such thing as fraudulently and dishonestly giving a director a qualification, or anything approaching a qualification, has ever been entertained or thought of, nor have we been connected with any company who have had to do that; the directors in our companies have always been amongst the largest shareholders.

1999. Have they been companies of very large capital, or have you had some of small capital?—Our companies have been mostly of large capital, but we have made many private companies of small capital.

2000. Do you remember the smallest capital you have started a company with which has been successful?—I do not know about being successful. One of the smallest companies we have established has been, I think, 10,000 *l.*, where it was subscribed, to try the benefit of an invention, which was just one of the things, I think, contemplated by the Act of 1862. Nobody felt sufficient courage to risk 10,000 *l.* under the circumstances, and the consequence was that 10 persons subscribed 1,000 *l.* each. In that case I think it was a proper and legitimate application of the joint stock principle.

2001. And was that successful?—It is going on now; it has not been successful yet; it is merely to carry out experiments in connection with a mechanical improvement.

2002. But have you started any manufacturing concerns of moderate capital?—No, none with small capital.

2003. No such thing as cotton spinning, or calico printing concerns?—The smallest cotton spinning concern, I think, that we have been concerned in has been one with a capital of 100,000 *l.*

2004. Has it been successful?—Very successful indeed.

2005. Is it paying?—Paying up to this moment. It paid as much as 30 per cent. in one year, at least it made as much as 30 per cent. in one year, but it has also successfully ridden over the fluctuations of trade for three years, but without making a dividend. On the whole it has been quite successful.

2006. We have had it in evidence here, that the limited liability companies are very heavily weighted from being managed by a board instead of by an individual thoroughly conversant with the details of his business; do you agree with that?—It is like asking you a question as to whether you pay a large salary or a small one. I believe that all the limited liability companies are best managed when they have a well-paid manager, or in which the management is comprised in the practical hands of a few persons, as in the case of a private firm.

2007. Without a board at all?—The nearer you can approach to the management of a private concern the better; and in nearly all the great companies that we are concerned with, that has been a part of our policy to recommend, and the directors and shareholders have adopted it, giving great power to a very well paid general manager.

2008. You have heard it stated in this room that there was a difference in the cost of management of 10 or 15 per cent. between a public company and a private concern; do you agree with that?—That is not quite correct. There are many cases in which a public company has some advantage over a private firm; but there are many points in management where a private firm has an advantage, but then the varieties are so great. Take an experienced engineer dying, and leaving his business to his sons, who have been educated at college, and paid no attention to business; what is the good of that private management? If he had had a limited company, and an experienced manager, there would have been an advantage in that case in having a company.

2009. I suppose that Act is taken great advantage of by families situated as you have just described; the head of the concern dies, and they put it into a public company?—No doubt; and a great many are now waiting for the opportunity of doing the same thing if they can do it without being disgraced by coming under an Act which has been so much abused.

2010. From your knowledge of the origin of private companies and public companies, do you consider that there is anything like truth in the evidence which has been stated here, that manufacturing concerns yield on an average many of them 25 per cent. profit in the year?—I have given you a case in which a cotton mill made 30 per cent., and then for three years we made nothing.

2011. But I say on an average of years?—I do not think that you can generalise it in any such way.

2012. From your experience, is it likely to be the case that such profits are likely to be realised on an average of years as 25 per cent.?—Not on an average of years; I think an average of 6 or 7 or 8 per cent. over a series of years is a very good result for a joint stock company.

2013. You mean upon the capital?—I mean on the paid-up capital.

2014. But you are aware that private concerns do not consider that interest on the capital is profit?—I know private concerns do not.

2015. I presume that before you strike a profit you generally strike an interest account first in private companies?—No; they pay the interest on their borrowed money, and all the rest of the net profit may be divided in the shape of dividend.

2016. Are you speaking of public companies?—Joint stock companies.

2017. But private concerns allow, first, so much per cent. on the capital to each partner, and then the profit is divided after that is allowed to the partners?—Yes.

2018. Therefore a private concern, allowing 5 per cent. for the interest of the capital, and paying 2 or 3 per cent. above that for profit, would be in the position of what you consider a successful public company?—No doubt.

Mr. *Alexander Brown.*

2019. Do you find that, in your experience, companies have been offered to you, which were bogus companies, which really ought not to have taken advantage of these Acts, and which you have declined?—Yes.

2020. Do you find that the finding qualifications for directorship is a practice which was largely

Mr. *Alexander Brown*—continued.

largely in vogue some two or three years ago?—We only know it by what the public know now; we never found a director's qualification in our lives.

2021. In your judgment that ought to be put a stop to?—It is a fraud.

2022. Both in your Bill, and in the Act of 1867, where contracts which are material are not set forth, that is to be deemed fraudulent. What, really, is the meaning and value of the word "fraudulent"?—I have always understood the meaning and value of the word "fraudulent" myself, before it came to be so much discussed in the Courts, to be this, that it would render the person liable to pay the damages, or the calls, or the losses of every individual who had been induced to subscribe his money by any fraudulent pretence.

2023. That it only went to the length of a monetary payment?—Refunding the money, and any punishment which fraud involves.

2024. Is there not some idea now that the word "fraudulent" means something more than that?—I do not know.

2025. Would you make it anything more than simply a monetary fine upon the directors?—I think I should confine the word fraudulent to merely refunding the money in all cases of damages incurred, and the penalty for an extreme act of fraud besides in the shape of imprisonment or otherwise.

2026. You mention, in the case of the Ebbw Vale Company, in which there was no power to reduce capital by the decision of the Master of the Rolls; may I ask you the date of that case?—It is only within the last three months, I think.

Mr. *Goldney*.

2027. What influences you to decline to bring out a company, or otherwise?—The goodness or reasonableness of the proposal; exactly as we should be influenced in buying or selling any other articles.

2028. Who comes to you in all these cases; the seller?—The seller, always.

2029. No people come to you having knowledge that such a thing is to be disposed of, and for you to treat with them?—Such things have occurred; but we invariably decline.

2030. As a rule, the seller always comes to you?—Yes.

2031. And when he comes, is he the man who pays the one per cent.?—He is the man who pays the one per cent. in case we sell the property, and not to a company.

2032. Whether you sell the property to a company or an individual, he pays one per cent., as I understood you?—Yes.

2033. But, then, supposing you sell it to an individual, and he asks you to form a company, is that one per cent. again?—Then we should charge one per cent. again if we formed a company.

2034. To the new man?—We never have a new man in the case. We never had a case of that kind in our lives; we never allowed a man to buy a property from a vendor on the one hand, and sell it to a company on the other.

2035. Supposing you sell to a man, and he asks you subsequently to form a company?—If you are confining yourself to the same property, then it never does occur. There never is, with us, a *bonâ fide* sale by a vendor to a person who sells it again at a profit.

Mr. *Goldney*—continued.

2036. I am not talking of a profit; but supposing two parties whom you recommend, enter into a contract for the purpose of forming a company, the seller has disposed of his property, and so many thousand pounds are given for his property?—We do not deal with them, but only with the principal.

2037. Supposing Mr. Johnson came to you and said, I want to sell these mills for 100,000 *l.*, and you find two people who are willing to enter into the transaction and pay the money, that would be done with you?—We never have done such a thing; but if we did, it would be a private sale.

2038. Supposing these two parties afterwards say, "we should like to form a company," you would carry on that transaction?—We should not immediately.

2039. Would you at the end of six months?—No, nor 12 months; because we should know that they would only do it for the sake of some additional profit.

2040. Supposing they had not capital?—Supposing they had not capital, and wanted it, it could be converted at once.

2041. As a rule, you deal with the company?—We deal with vendors who have large properties to sell, and we make the terms as reasonable for the purchaser as possible, and we offer it by private circular or prospectus to our friends, and they subscribe.

2042. And the question of price is the one that guides you?—Entirely; and we have only accepted the offer of business in about one case out of 40, because the terms proposed were unreasonable, or the business ineligible.

2043. Speaking of two millions as the average amount per year that you deal with in this way, what amount do you think you fail in dealing with?—I took out an account 18 months ago, in which it was shown that up to that time we had paid nearly 7 per cent. upon the whole of the capital that we had invested.

2044. I am not asking that; you say that you arrange to the extent of two millions per annum for the forming the companies on an average; I want to know to what extent you have failed?—We do not generally fail at all; we do not undertake it unless we feel tolerably sure; we have not failed more than once in a year in forming any companies which we attempted. We have failed twice in the last three years, which is more failures than in previous years; but this year we have not failed at all.

2045. You do not, in fact, carry it out till you see your way pretty secure to get the money; you do not issue the prospectus till then?—No. We are bound to issue a prospectus, but we have no connection with the Stock Exchange, no jobbing, and very seldom any advertising.

2046. Do you issue a prospectus before you get the money?—Always; the prospectus is attached to the form of application for the shares.

2047. And in that prospectus you give what you have indicated by your clause?—Yes, especially all the payments to agents, promoters, and others interested.

2048. Then, who would be the promoters in that case?—The promoters in all the cases we are concerned with are the persons who sell the property; the promoters legally, in my opinion, are

Mr. *Chadwick*, M.P.

2 July 1877.

Mr. *Chadwick*, M.P.

2 July 1877.

Mr. *Goldney*—continued.

are the seven persons who sign the memorandum of association.

2049. Who finds the promoters; do you?—We do not always find them.

2050. If the seller is the only man who comes to you and sets the thing in motion, you must find the promoters if they are some people else?—No; they are nearly always friends of those who sell; we never allow a vendor, or only in very few cases, to take his hands off the property.

2051. He is one of the promoters himself?—Yes.

2052. Does he find the others, or do you?—The seven promoters are generally found amongst his friends and ours. We are the agents to the promoters; the promoters are the vendors, and they say, "we are willing to sell;" we are simply the agents on their behalf.

2053. Then it simply discloses your commission and the price, and the parties to the contract?—Yes.

2054. Who are they?—They are always set forth.

2055. Who are they?—Anybody; the vendors; somebody named on behalf of the new company, very likely.

2056. What I want to get at is this; if the seller is the man who comes to you and the contract is entered into with somebody, who finds that somebody?—The contract cannot be carried out till we have communicated with somebody; we usually agree to or find the somebody.

2057. And that somebody forms the second party to the contract?—Yes.

2058. Then you set out that contract?—Entirely.

2059. And you set out the sum that is to be paid to the seller, and the number of shares he is to have as part of that sum, and the amount you are to receive for doing the business?—Yes.

2060. Now, as to your 7th clause, with reference to the account; you say that this account that you would have is to be either issued or deposited at the option of the company?—Yes.

Mr. *Goldney*—continued.

2061. Who is the "company"?—The shareholders.

2062. It is to be issued to them or deposited seven days before the meeting; at the option of the company; who is the "company" there?—The shareholders of the company.

2063. But they cannot determine the question before they have had their meeting?—They can pass a resolution at the first meeting, and declare that there is something in connection with the business which would suffer by the disclosure, and that they will not have the balance-sheet issued, but that they will have it deposited.

2064. Your clause is that the directors of the company once a year shall submit a balance-sheet or two balance-sheets, at least seven days before every meeting?—Yes.

2065. But that balance-sheet shall be either issued or deposited at the option of the company?—Yes.

2066. What do you mean by "the option"?—It is a simple process; the option of the company is by any resolution of the company, or the directors on behalf of the company.

2067. Do you mean that the directors are to determine in their own minds whether they are to issue it or deposit it?—The directors act for the company, in the absence of the shareholders.

2068. Who do you mean in the clause is to have the "option"?—The clause says the company, meaning the shareholders.

2069. Do you leave the discretion as to issuing in the directors or not?—No, I do not leave it in them; because, if the directors determined first that they will not issue it, but deposit it, the shareholders have to adopt that. I will give you an instance in the case of a large and prosperous company with a million of capital, who had printed their balance-sheet for 12 years regularly, and sent a printed copy to the shareholders; last year, for special reasons, they determined that they would no longer publish it but deposit it; the shareholders unanimously adopted the recommendation of the directors in that case.

Thursday, 5th July 1877.

MEMBERS PRESENT:

Mr. Ashbury.
Mr. Alexander Brown.
Mr. Chadwick.
Mr. Orr Ewing.
Mr. Gregory.
Mr. Kirkham Hodgson.
Mr. Hopwood.
Mr. Hubbard.
Mr. Isaac.
Mr. Knowles.
Mr. Sampson Lloyd.
Mr. Lowe.
Mr. Alfred Marten.
Mr. Rylands.
Mr. Edward Stanhope.

THE RIGHT HONOURABLE ROBERT LOWE, IN THE CHAIR.

Mr. DAVID CHADWICK (a Member of the Committee), further Examined.

Mr. *Chadwick*, M.P. 5 July 1877.

Mr. *Gregory.*

2070. I UNDERSTOOD you to state, in answer to the honourable Member for Chippenham, that in forming these companies you generally acted for the vendors of the property; is that so?—In nearly all cases.

2071. And as I understood the vendors to the company substantially form the promoters in the first instance?—They are the promoters of the company.

2072. And they take over the property?—The company take over the property.

2073. These vendors are the parties who sign the articles of association, are they not?—The parties who sign the articles of association are those who form the company, the seven persons.

2074. In the majority of cases are those parties who form the company those seven persons, substantially the vendors of the property?—No. I will take the case of half a dozen very large companies as a sample; in every case the vendors themselves, in consequence of the large interest they have in the concern, express a desire to limit that interest, and the only mode to do it is by forming a joint stock company; they consult us, and from their friends and our own friends we find seven persons who sign a memorandum of association, the vendors being in nearly every case part of those seven, so that it is a conversion in nearly every case of a large private firm into a joint stock company.

2075. What is the proportion of new blood brought into the company in its original inception; I mean upon the registration of the articles of association?—In nearly all the companies that we have been concerned with, the seven persons who signed the articles would take at least from 25 to 30 per cent. of the entire capital beyond that subscribed by the vendors.

2076. The new blood would represent from 25 to 30 per cent. then?—Yes.

2077. Then in that case the vendors would represent very much the larger proportion of the capital?—Yes. Take a case where the capital was 100,000 *l.*; I should think the average would be that the vendors would retain about 30,000 *l.*; the persons who signed the memorandum would take an additional 20,000 *l.* or 25,000 *l.*, or 30,000 *l.*; and we should feel quite certain before we registered the company that the whole of the remainder would be subscribed.

Mr. *Gregory*—continued.

2078. What guarantee have you for the whole of the remainder being subscribed?—Merely our own personal influence and connection.

2079. Your own expectation, in fact?—The fact of 5,000 persons investing their money through our firm, and believing in, and relying on, our integrity.

2080. Do they join these companies upon your representation of them?—You are asking me a question of motives now, which I cannot answer.

2081. Does it not naturally follow from what you state; you say that there are 5,000 persons willing to join these undertakings on the credit of your firm; that is what I understand from your answer; I understood you to say that you were assured of the capital being subscribed, because there were 5,000 rersons ready to join the undertakings on the credit of your firm?—Not on the credit of our firm; on the recommendation of our firm; there are 5,000 persons who, during the last 16 years, have invested a large proportion of their surplus capital through our firm, and we should feel quite certain in ordinary times that if we recommended the investment of money in any enterprise of this kind it would all be subscribed, on a private circular or prospectus only.

2082. Then it is, in fact, upon the recommendation of your firm that these parties join the undertakings?—No, not alone upon the recommendation of our firm; upon the valuations that are made, the seven persons who are really the promoters and founders of the company signing the

Mr. *Chadwick*, M.P.

5 July 1877.

Mr. *Gregory*—continued.

the memorandum of association, and the fact of the *bona fides* of the company being thoroughly and completely set forth.

2083. How is the value of the property ascertained?—By an experienced valuer.

2084. Taking the case of an ordinary trade business, iron works or cotton works, for instance, is the value of it ascertained by a valuer?—Yes.

2085. Who calls in that valuer?—That is done by a joint arrangement of the parties who agree preliminarily to become part of the founders of the company, and ourselves, and the vendors.

2086. Then the valuer is called in, in fact, by these parties who are promoting the company in the first instance; and you have told us, I think, that the vendors of the property have a preponderating influence in the company so formed?—No, they have not; the valuers are agreed upon, and called in and instructed, in all cases in which we are concerned, to value fairly and honestly as between an incoming and outgoing partner; it is a stereotyped instruction.

2087. That may be; but I want to know from whom the valuer receives his instructions?—You will have to state some particular instance. Speaking generally, I have the greatest possible distrust of valuers. I believe valuers have made themselves, as a rule, mere advocates; and therefore it has been my business and the business of my firm to object, especially in the case of certain trades, against valuers whom we have known to make serious mistakes.

2088. That does not quite answer my question, by whom the valuer is appointed; who nominates him?—The valuer is appointed generally with the concurrence of the parties who have expressed a desire to invest their capital in the concern; and they agree with us, as in an ordinary partnership arrangement, upon a valuer who will tell them honestly the true value of the concern.

2089. I think you have already told us that, generally speaking, the vendors do retain a preponderating portion of the capital in the first formation of the company?—That does not give them a preponderating voice in the appointment of valuers. They are always in a large minority; perhaps two vendors to at least seven or eight other persons who are going to invest their money.

2090. Is it not in accordance with your business experience that a preponderating portion of the capital does carry with it a corresponding influence?—It does not at the beginning of a negotiation. It does legally under the Act of Parliamen, when you come to form a company.

2091. Then if I go into a concern with 100,000 *l.*, and another man goes into it with 20,000 *l.*, would not the man bringing in 100,000 *l.* exercise a preponderating influence?—Not at all; you are supposing an impossible case. Now let me put a practicable case; supposing Mr. Gregory wanted to sell his iron works, and he came to Messrs. Chadwicks & Company to say, "Now, I do not like 100,000 *l.* in one big concern,; I want to divide it amongst my family;" or, "I am getting an old man and may die, and I want to bring new blood in, and I want the concern to live for ever." Mr. Gregory has to deal as only one voice against four of the firm of Chadwicks & Company, and three or four of the persons who have felt inclined to go in with him. Therefore there is no such thing as a preponderating voice of the vendor in that case.

Mr. *Gregory*—continued.

2092. But supposing that Mr. Gregory has not members of his family who are desirous of entering the business, and supposing the business is a failing business, and he is desirous of getting out of it, and supposing he says, "I am willing to sell one-third of this business; get me parties to take it off my hands"?—You want me, as I understand, to tell you what we should do; we should require Mr. Gregory to show us his profit and loss account and balance-sheet for the last seven years, and if we found it was a failing business we should simply give it up, as we do in at least 39 out of 40 cases offered to us, and have nothing further to do with that transaction; we should not go to the extent of the expense of valuing at all.

2093. Supposing it is not a failing business, and still he chose to sell a part of it, and to retain a large portion of it in his own hands, would you undertake it then?—He would have no voice in the appointment of the valuer, except one voice; and that is the point we are considering. We do not depend upon valuers alone; we exercise our ability as experienced accountants in seeing the nature of the business, the trade that has been done for the previous years, the actual profit and loss, the division among the partners, and in fact the exact state of the trade; and if in our opinion it is likely to be a reasonably good concern for the future, and one capable of being managed by a joint stock company, we should proceed with the negotiation.

2094. Then in regard to the appointment of this valuer, does every individual have an equal voice in it?—It is all done amongst the first few persons who are consulted. The valuer has to be appointed quickly.

2095. That is what I want to know; I understood you to say that it is done amongst the persons who are forming the company?—In our case it is.

2096. Then do I rightly understand you to contend that notwithstanding that, a preponderating influence of capital does not carry a corresponding influence in the appointment of a valuer?—You see it does not, because the appointment of a valuer is made actually before anyone has subscribed any capital at all.

2097. Who is it made by?—It is generally made by ourselves, the vendor, and by two, three, four, or a dozen persons, whom we have already mentioned the subject to, and who say that upon this being fairly purchased they will not only become substantial shareholders in the concern, but that some of them will agree to be directors. All that is a kind of preliminary friendly negotiation, exactly as though they were negotiating a private partnership.

2098. But if the vendors are larger in number and in capital than those to whom they are selling at that time, would not the nomination of the valuer very much rest with them?—You are assuming an impossible position; there is no such thing in our experience as the persons to whom they are selling, viz., the company, having a less capital than the vendor.

2099. I say the vendors having a larger capital than those to whom they are selling?—The vendor with us always has had a less capital than the company to whom he is selling.

2100. Do

Mr. *Gregory*—continued.

2100. Do you mean that he reserves to himself a less share in the business?—We do not know a single case where the vendor has retained more than one-half of the share capital of the company. There are some cases where we have been compelled to name a valuer ourselves, where a party says, "Now I have got a valuation myself." We say, "We do not believe in a valuation made for a vendor; we should act in this case as though for our friends." I believe in our experience (and we have many times named valuers, and had revaluations made by persons appointed by us), although we are appointing and instructing, and are the agents of the vendors in the formation of a company, it would be impossible for us to retain the confidence of about 5,000 clients, or half that number, unless we exercised discretion and said, "We cannot act for you in anything in which our conscience or our judgment says it would be an undue price to give to you for the business."

2101. Then, do you consider yourselves in any degree responsible for these valuations?—We consider ourselves only responsible for the reports on the profits on the past transactions of the company; but if there are no past transactions, or no profit and loss accounts available arising from change or remodelling the concern, then we generally make an estimate in our own way of what is the lowest average net profit on any particular manufacture, and our large experience and knowledge of the actual profits of many great concerns makes our judgment of some value in that matter.

2102. Your names generally appear in the prospectus of the companies which you bring out?—We always sign our names to them.

2103. To that extent you guarantee them?—To that extent we hold ourselves responsible for the statement in the prospectus, and we set forth everything, as far as possible. We are sometimes prevented by the lawyers of the vendors, and by the solicitor appointed in connection with the company, from doing a great many things which we would like to do.

2104. Have you had cases of this kind where, when a company is formed, another valuer is appointed on behalf of the company?—Yes. We always insist on a valuer acting either jointly or on behalf of the company.

2105. After the formation of it?—No, generally before the purchase.

2106. Is that valuer in the interest of the vendor as well as the company?—We always insist upon the valuation being made by a person who should consider himself a judge, acting fairly and honestly in the valuation of the property; and we give him this invariable definition, "You shall value this fairly and honestly, as between the amount that an outgoing partner should accept and the amount that an incoming partner should pay for a share, say one-half or three-quarters of the business."

2107. Who pays the valuer?—Usually it is divided; in the majority of the cases it is paid equally by the company and by the vendor.

2108. Your commission is paid by the vendor, I think?—Our commission is sometimes paid by the vendor, sometimes by the company, and sometimes jointly.

2109. The vendor, at all events, is liable for it?—We never make any charge, unless the company is formed, whatever trouble we took in the formation of the company. We do not often fail, but if the total amount required is not subscribed, we make no charge except for the actual disbursements incurred.

Mr. *Gregory*—continued.

2110. I think you said that very few of the companies with which you have been connected have failed?—Very few indeed.

2111. Can you give us the proportion of those at all?—I think I said very much less than one-tenth. For instance, there is a case of a company failing where the chairman lost his head, and, against the instructions of the other directors, went into speculation and involved 200,000 *l.* of loss within the first year; but he simply became deranged, and committed suicide; surely there is no blame attached in connection with a company in a case of that kind. In the case of companies that have after formation entered into improvident purchases, in the case of companies that have suffered very severely, either by bad debts or by depression in trade, the number of failures in the joint stock companies we have formed are, in my opinion, less than the number of the ordinary failures in private partnerships.

2112. And that you consider, I suppose, to arise from the care which you take in the inception of them?—Undoubtedly; entirely from the care we take in the inception of them.

2113. It often happens that people come to you with companies which you will not undertake, I suppose?—We do not undertake one in 40; we have taken the average. In regard to many of the large companies that have failed, I think, we have been spoken to respecting them, or had the refusal of them.

2114. I daresay it does not altogether prevent those companies being subsequently formed, that you have declined to undertake them?—The facilities of the Stock Exchange, and the eagerness with which joint stock companies were taken up, have caused many companies that we had not looked at to be taken up. I will give you one notable case (I think it is worth recording, because it has been reported), the Canadian Oil Wells Corporation. A Mr. Longbottom came with a very strong letter of introduction to us, and he made his representations, and we took memoranda in writing of his statements, and we said, "Well, if you will prove all this, we think we can form a company, and find all the capital without any trouble; our charge will be 1 per cent." We were invited to go to his grand office in Pall-mall, and my partner went and examined certain statements. We then sent him a written statement of the proofs and particulars we should require. For instance, he stated that certain great quantities of oil were sent away from the wells and were sold; we simply said, "We shall want the wages account, the bill of lading for the shipment of this oil, and we shall want the agent to whom and when it was consigned, the agent's return of the cash received, and we shall want the vouchers." Our business experience as accountants enabled us to see clearly at the second or third interview that Mr. Longbottom was very like an imposter, and we said: "We shall proceed no further with your business, unless you can prove all your statements." We had a letter from Mr. Longbottom, in which he said in effect, "Do not trouble yourslves about these particulars; you may fully rely upon them; and instead of paying you 1 per cent.,

Mr. *Chadwick*, M.P.

5 July 1877.

Mr. *Gregory*—continued.

your paltry commission, we shall be very glad to pay you 5 per cent., or any amount you like." Of course we sent a letter back again to say that we declined any further communication with Mr. Longbottom. But I mean to say that that was one proof of our practical experience and penetration as accountants in seeing the weak place of such a concern. After the second or third interview it was transparent to us that Mr. Longbottom was anything but an honourable man, and that the whole case was very like a fraud.

2115. The public have some reason to know that the company was formed?—We could not go and publish it to the world; we never heard a syllable of it again till we saw it advertised.

2116. So it was formed, and directors were found for that company?—And we should have been very glad to have kept them out if we had known.

2117. And without very correct qualification, I think, some of them?—We never found a qualification for a director in our lives, and never were parties to it, we should consider it a direct fraud.

2118. But you have heard of that fraud being committed?—Yes, and I have been astonished to hear that even judges have said it appeared to be a general thing. It has not been a general thing, except in fraudulent transactions.

2119. That is your opinion from the course of your experience in commercial business?—It was our opinion before these disclosures; I gave the same evidence 10 years ago before the Committee appointed to examine these Acts.

2120. Do you think that the Companies Acts, as they stand, have given facilities for the formation of companies of this nature that you have spoken of?—I think they have given too great facilities, because the wording of the Act has not been plain enough. I believe that Mr. Grant, or any other promoter of a company, would not have done some things, except that he had been advised by his lawyers and his counsel that disclosures of certain contracts need not be set forth. There has evidently been a want of clearness in the Act of Parliament, and the object of my introducing the Bill last year was to make it perfectly clear, so that nobody could have an excuse for withholding contracts that ought to be disclosed.

Mr. *Sampson Lloyd*.

2121. The Committee have heard some evidence tending to cast a doubt upon the propriety, or at all events the safety, of the principle of limited liability applied to trading concerns, and especially those of not very large capital; now taking the case of the conversion of an old concern, where capital possibly has been left away from it by will, and where skill on the part of the managing partner may be failing, into a vigorous new company with adequate capital, is not that sometimes under proper safeguards safer to the outside public than the continuance of that worn-out old private firm?—Undoubtedly, most decidedly; we have done that in many cases.

2122. And thus under proper safeguards I presume you would consider that such conversions should be encouraged by the law rather than discouraged?—Quite so.

2123. You have been good enough to tell the Committee of the very great care which your firm exercises with regard to valuations, and providing proper safeguards for the floating of the companies through your hands which you take charge of, are there not some other promoters of companies a good deal less particular than you say you are?—I can only give evidence with regard to the facts connected with my own transactions, and I do not wish to cast blame on anybody; I would only refer to those cases, myself, which have come before the Courts.

Mr. *Sampson Lloyd*—continued.

2124. In fact, that the care which you say you exercise is not sufficient for the public, unless something can be done to make other promoters exercise something like the same care?—Yes.

2125. Are not the commissions paid by vendors to your knowledge, often so large as to offer strong temptations to financial agents to recommend concerns at an undue valuation to the public?—I think the commissions are so large, that they amount to such an inducement that a man can scarcely maintain his honesty and integrity in dealing with them. If we made our commission 5 per cent. instead of 1 per cent., we have often said that we should scarcely be able to maintain our integrity.

2126. That temptation being admitted to exist, is not the valuation usually, at all events in the majority of cases, a deceptive thing; is not the valuation made before the prospectus is issued in most cases?—The valuation in our case is made as the basis of the contract, and made in the way I have stated on behalf of all parties.

2127. But I am speaking of other cases than your own; is not the valuation made before the prospectus is issued, and thus at the time when practically the vendors and their financial agents have the valuation solely in their hands?—I am so desirous not to be here to condemn anybody, that I should be glad if you will excuse my answering about what other people do. You know as well as I do, from the publications of the proceedings in the trials, what has been done.

2128. I am not asking you to mention names; I am alluding to no names, but asking you about the general principle?—I may state as a fact, that generally valuers, as a body, have, in the judgment of our firm, lost our confidence. Where valuers are brought in, they often value according to whichever side they are instructed by. In a case of land in connection with a Corporation and the Earl of Derby, only last year, of five or six eminent valuers, I think Lord Derby's valuers valued the land at about double the amount (and it involved hundreds of thousands of pounds) of the valuers selected by the intending purchasers.

2129. Is it not practically, in very many cases, almost impossible to fix a reliable value on the plant, and buildings and works, especially of old concerns?—Exactly; but no valuation of either plant or property in a trading concern can be made, except upon an estimate of its profit-producing capacity for the future. You may have a good concern badly situated; you may have a concern well situated, with worn-out machinery; and you may have disadvantages which can scarcely be estimated, and where an inventory valuation would be perfectly fallacious. All valuations of trading concerns must and should

Mr. *Sampson Lloyd*—continued.

should be based upon the profit-producing capacity of those works.

2130. These difficulties being before the public, and the public having suffered very much by these exaggerated valuations, and by other circumstances to which I need not now refer, can you suggest any remedy which the Legislature can wisely apply to these cases, or must it be left, after all, to the common sense and sagacity of shareholders in determining whether they will inquire for themselves or not?—My opinion is that the Companies Acts are very beneficial in a great many cases, and that Parliament cannot be too rigid in enforcing the disclosure of every fact and circumstance connected with the property and the terms of payment, and the payment to all intermediate agents of every kind; I mean disclosure to the shareholders, who are themselves going to be proprietors of the works; I do not say to the public, because in many cases it would be done without publicity.

2131. In short, the only security, or the principal security which you think it is expedient for the Legislature to enact, is practically the disclosure of all material facts?—Entirely.

Mr. *Rylands.*

2132. Now, if a man goes into the market to buy any commodity, and another man comes to sell it, the value is determined by the higgling of the market, as it is called, between the buyer and the seller; is not that so?—I suppose it is in some cases; if you sell a horse, perhaps it is.

2133. Is not it the fact in the general transactions of trade that the value of commodities is settled by the higgling, or bargaining, to use another word, between the vendor and the buyer?—It is so in corn, in cotton, and horse-flesh, and things of that kind; it is not so with reference to the selling of trading concerns; there is generally no higgling there.

2134. I am not asking you about that now. You have mentioned a horse; if a man has to sell a horse, he may put an excessive value on the horse, and if the buyer pays him 200 *l.* for a horse not worth 50 *l.* it is no fraud, if the vendor has not represented the horse to be what it actually is not; is not that so?—Yes, I suppose so.

2135. That the buyer who gives very much more for a horse than it is worth, under those circumstances has only himself to blame?—Yes.

2136. You would not have a law which should enact that a man should not get 200 *l.* for a horse only worth 50 *l.*?—When the horse is not guaranteed to be sound in limb and wind the man buys the horse as it is.

2137. But if the vendor tendered it as sound in wind and limb, when he knew it was not, that being a fraud, you would say he ought to be liable to punishment?—Yes.

2138. But so long as he does not keep any material facts back in reference to the commodity which he disposes of, the law has nothing to say, whether a man gives too much value or too little?—That is the law. I do not, however, see what connection that has with joint stock companies.

2139. Is that so or not, without now speaking of joint stock companies?—It is so with horse-flesh, I suppose.

2140. Can you see any difference in principle between my selling a horse and my selling a

Mr. *Rylands*—continued.

manufactory?—Yes, every difference. We will suppose that you have got a horse worth 100,000 *l.* to sell, and that no one man can buy the horse, and that nobody can find 100,000 *l.* to buy the horse; what have you got to do as a horse dealer? You may ginger it up as you like; you put it in the best possible position, but there is no person with the money; you have to go to some intermediate agent, whether a financial agent or an accountant, or anybody else; you have to appoint somebody your agent to sell it, and you go to a firm, Messrs. Smith & Company, and say: "I have a horse worth 100,000 *l.*, and it produced me so much profit last year. and is capable of producing so much profit still." Mr. Smith says: "No one person can buy it; I shall have to get 100 people." These 100 people are brought in, and if you paid your horse agent a very undue commission, and if you concealed or misrepresented anything connected with it, these 100 persons ought to be protected; and where you bring 100 persons in to buy your horse, I say those 100 persons ought to have the opportunity, by the disclosure required in the Bill, to ascertain just as much about the horse as though each one were buying it on his own account.

2141. Is it not the fact that that long reply which you have given is, in no respect, adverse to the previous illustration; I understand you to say that if the vendor of a property kept back certain material facts, you would think that the company, the buyers, ought to be protected?—I think that the illustration of the horse is a very unfortuuate illustration, myself, and you can only apply it to the case of joint stock companies in the case I suppose.

2142. We will leave the horse, and take a joint stock company, and we will suppose that it is an iron works, and that the vendor wants 100,000 *l.* for the iron works, and the buyers of the iron works, after taking such steps as they may think fit, give 100,000 *l.* for these iron works, the vendor having kept nothing back in regard to any portion of the transaction; do you think that the law should step in to prevent these buyers giving 100,000 *l.* for those iron works if they are really only worth 50,000 *l.*, all disclosures having been made?—If all disclosures are made, and all the persons knew just as much as they would do if they were negotiating a private transaction or partnership, I should be quite satisfied, only I would not be the agent in the transaction.

2143. My point is this; I want to know what we have to deal with in preparing a Bill, so as to protect the public?—You have to take care that the 100 persons who come in shall have as much information of every transaction connected with a concern in which they invest their money as they would have if they were making a private bargain, or a private partnership arrangement; and for that reason, when you incorporate those 100 persons and give them the great privilege of a chartered incorporation with limited liablity (which is a very great attraction), you are bound to provide that they shall each have the opportunity of a full disclosure of every fact and transaction in concerns in which they are going to be partners.

2144. The questions I am asking you are not in any way in reference to disclosure, but the honourable gentleman who has been putting

Mr. *Chadwick*, M.P.

5 July 1877.

Mr. *Chadwick*, M.P.

5 July 1877.

Mr. *Rylands*—continued.

questions to you seems to consider that there is some point in connection with the arrangement for the valuing of the property, and my question is this: supposing there is an absolute honourable offer, the law is not called upon to step in to prevent the buyers giving more for a concern than it is worth?—There are many cases in which valuers have differed, and in which companies and private individuals have paid more than the thing was worth on the faith of a valuer; I can say nothing further.

2145. Is it your opinion that the law should in some way protect people from paying more for companies than they are worth?—I only say that the law having given protection to a company, should take care that the persons who enter that company shall be entitled to a full disclosure of all the facts.

2146. You said, or I understood you to say, that taking the failures in limited companies and comparing them with failures in private companies, the failures in private companies had been quite as large in proportion, and quite as discreditable in character, as in the limited liability companies?—I was alluding to those with which we are connected, not generally.

2147. Do you think that if you take the whole of your experience, as far as you can judge of the state of trade, it is not the fact that a very large number of private companies do stop payment under circumstances of fraud and discredit?—Not nearly as many as the fraudulent failures of public companies. I speak generally, and of cases where companies have, in my opinion, been fraudulently established.

2148. Are you not aware that in private partnerships there is this possibility, that a private partner can make use of the monies of the firm very often without the control of his other partners, and can go into speculations outside his business which lead to a very large loss of capital and loss of the credit of the concern?—Yes, I am aware of that.

2149. You are aware that in limited liability companies there is a considerable check in the arrangements of the company against individual members of the company making use of the money of the company for private transactions of that kind?—Yes.

2150. And that to that extent therefore there is a safeguard in limited companies which does not exist in private partnerships?—Yes.

2151. You are also aware that in some cases in private partnerships the death of a partner will stop the proceedings of the firm and lead to considerable loss?—Yes.

2152. And that that cannot occur in a limited company?—No.

2153. You are quite aware that at certain times there is an inflated value attached to properties of various descriptions which are in the market?—Yes.

2154. That the value of the property at one period being very much beyond what it is at another period, if the vendor has the property valued he will probably get a much higher value at one period than he will at another period?—Not if he is an honest valuer, because an honest valuer values every trading property according to its profit-producing capacity over a series of years, and in the result takes account of an average number of good and bad years; so that a fair valuer would value an ordinary good business at nearly the same price in a bad year as in a good one.

2155. Then you are not of opinion that at a time when the iron, coal, or any other trade is exceedingly prosperous, works being brought into the market would fairly command a higher price than at a time when trade is slack?—They should command a higher price only to the extent of the then higher value over the average of years in the products of that manufacture.

2156. Of course, in your case, though you act as financial agents, you do take very great care only to recommend to your clients such companies as you have taken special pains to investigate?—It is a part of our business, because we are the auditors of nearly every concern that we have ever formed.

2157. You know, as a fact, that other financial agents do not take that care?—I am not going to castigate anybody.

2158. But you know, as a fact, that that is so, that a number of companies have been brought out in a manner which has proved to be fraudulent?—I know a great many failures have occurred, which I think might have been avoided if they had taken the same trouble that we have in all cases.

2159. But, of course, you are quite aware that the public in investing their money in various companies are bound, at all events, to take into account the people through whom those companies are introduced?—Yes.

2160. A sensible man ought to do so?—Yes.

2161. You cannot, by Act of Parliament, absolutely protect the public from making arrangements with men not of equal character with your own firm?—If public men, and men of good character and position, lend their names to companies about which they know nothing, or in regard to which they have taken no trouble to ascertain the truth, they are simply decoy ducks to the public, and do an immense amount of injury. I have stated my opinion as to men who are directors not taking a substantial interest in a company; it is very like a fraud. I may say that, so far as the members of my own firm go, we have always taken a large interest ourselves in every company we have established, and that all our fortune is invested in our own companies.

2162. This Bill which we have before us is divided into two important parts, the first part having reference to the inception and first establishment of the companies, and the second part having reference to the effect of the law upon the companies during their operation after their establishment?—Yes.

2163. You would, of course, be of opinion that the Committee might deal with the first part alone; that the second part of the Bill does not in any way depend upon the first part?—Yes.

2164. And, therefore, you are of opinion that if the provisions of the first portion of the Bill were carried out, there would be a great check to the creation of fraudulent concerns?—No doubt; I believe so.

2165. Do not you think that that is the main object you should have in view?—The main object I had in view was to remove the stigma on joint stock companies, and to establish their reputation by removing the incentive and inducement caused by the laxity of the wording in the clauses

Mr. *Rylands*—continued.

clauses of the Acts of 1862 and 1867, and making them more stringent; and I am quite certain that all the stipulations in my Bill would not prevent one honest *bonâ fide* joint stock company being established; but, on the contrary, there are many very large concerns which would, if such a Bill were passed, be converted into limited companies, but which would not subject themselves to the disagreeable feeling of being made into a joint stock company under present circumstances.

2166. With regard to the second part of the Bill, that has not been called forth by the existence of either frauds or irregularities in going companies, has it?—In the second part of the Bill are the recommendations which I have ventured to make from my large experience in connection with the management of joint stock companies. I would add another clause to the Bill, and make all liquidators give an account of their stewardship every six months to a committee of shareholders and creditors. I would never allow a company to be in liquidation for more than two years without the special order of the Court. I would require a liquidator to shew cause why it stands over. I would apply the remedy we have done in the case of the Bank of London, where the liquidation might have gone on for 20 years, but when we had paid all the debts, and had returned 6 *l.* 10 *s.* per share to the shareholders out of 10 *l.* paid up, we sold the remaining assets by auction and distributed the money.

Mr. *Chadwick*, M.P.

5 July 1877.

The Right Honourable Sir GEORGE JESSEL (Master of the Rolls), called in; and Examined.

Chairman.

2167. THIS Committee has been appointed to inquire into the Joint Stock Companies Act generally; is there anything which you would be so kind as to tell the Committee which you think it would be useful for us to know with regard to amending those Acts in any way?—I am afraid that is too large a question to answer.

2168. Then I will ask a smaller one; you are acquainted, no doubt, very well with the Act of 1867, and the 38th clause of that Act, that is the clause which Twycross and Grant went on; what is your opinion of the policy of that clause generally?—My opinion on all these clauses is this: that it is very objectionable to enact that anything shall be deemed fraudulent which is not really fraudulent. If it is really fraudulent, I take it that the law ought to be sufficient to punish it.

2169. You believe that the law is sufficient to punish fraud?—Actual fraud. When I say that the law is sufficient, I think the law is amply sufficient, but the machinery of the law is defective; and defective in this way, that what is everybody's business is nobody's business. We have no public prosecutor and no one willing to incur the enormous expense and trouble of instituting prosecutions under these Acts, as a rule, without expecting to derive any pecuniary advantage from it.

2170. But mere fraud is not criminally punishable, is it?—It is in most cases of trustees.

2171. In the case of directors, would it be punishable?—As a rule it is.

2172. In what cases?—As trustees under the Fraudulent Trustees Act, and in other cases; it would also be punishable under the law of conspiracy.

2173. Then your opinion in general is that the law is sufficient, if it could be put in motion, without an Act?—I think if the law could be put in motion, it would be sufficient; but practically you do not put it in motion.

2174. Do you see any disadvantages in having an Act on the subject?—I think it is opposed to principle, as a rule, to supplement the deficiencies of procedure by making things crimes which are not crimes in themselves.

2175. Does it not tend to lower the dislike and aversion that people feel for fraud, to make a thing by Act of Parliament fraud if they are conscious it is not fraud?—It has that effect, but it has another effect; it deters honest men from having anything to do with these companies, because they say, "If, without any fraudulent intention, we are to be found guilty of fraud, we had better not risk having anything to do with them."

Chairman—continued.

2176. Have you anything else to say on this point of the 38th section?—I think if you do alter the Act you ought to make the section much plainer than it is. It has given rise to much difference of opinion among the judges as to its meaning.

2177. The plainest of all would be to repeal it, would it not?—I think so.

2178. In what respect does that section of the Act require alteration if it is to stand?—First of all I am not at all clear as to what was intended to be enacted. I suppose it was intended to make people disclose fully all the arrangements for the formation of the company before its actual formation and to tell the public all that occurred. Now I take it that that is quite chimerical. If the promoters are honest people the Act is not wanted; and if they are dishonest people they will find some means of evading the Act, either by not putting their arrangements into writing, or some means of that kind. In other words, I do not think you can make people honest by Act of Parliament, or prevent fools being taken in by Act of Parliament.

2179. A Bill for the amendment of the Companies Act has been referred to us, which has been placed before you, I believe?—I have seen that Bill.

2180. I should like to ask your opinion as to the principal clauses of that Bill. I think Clause 4 is one; it is a clause requiring a number of things to be done, statements to be made, and so on; what do you think of the policy of that clause?—If you are to have an Act of Parliament which says that people shall disclose certain things, I think it should be in the most explicit terms, so that everyone should know what he is to disclose; and one objection I have to this clause is that in some instances it is so indefinite that it is a mere trap.

2181. As for instance what; perhaps you allude to the word "material" in Sub-section B, which

Right Hon. Sir G. *Jessel.*

Right Hon. Sir *G. Jessel.*

5 July 1877.

Chairman—continued.

which says that the prospectus "shall state the date of, and the names of the parties to, and the material contents of, every contract"?—I will take the very first sub-section, Sub-section A, "It shall state the names, addresses, and occupations of the vendors of any business or property intended to be sold to, or to be acquired by, such company." Now it must be remembered that there is a heavy penalty for non-compliance with this. First of all, what is the meaning of the term "addresses"; does it mean every address that a man has, or will any one address do?

2182. I suppose he clearly must set out all his "occupations"?—I was going to say, as regards "occupations," that the same observation occurs. How is anybody to know the occupations of other people? You have half a dozen gentlemen associated together, I will suppose honest respectable people, who are the partners of a business; how is the person who issues the prospectus to know all their occupations, or even all their addresses? Many men have concealed addresses, and for very good reasons. Then I want to know what the words "to be acquired" mean. It says "any business or property intended to be sold to or to be acquired by such company." What is the meaning of the word "acquired"? "Sold to" I can understand, and I suppose it means "intended to be sold to the company at that time." But what does "acquired by a company" mean, and when is it to be acquired? Then the next is a mere trap; it says: "It shall state the date of, and the names of the parties to, and the material contents of every contract." Every lawyer knows how that sort of thing is complied with; that is, you set out the contract *verbatim*, which nobody will read, because it will be too long. No lawyer could advise his client to omit a word. Then the next words are words which are so wide that without saying they have no exact meaning, it is very difficult to say what the meaning is. First of all, "It shall state the date of and the names of the parties to, and the material contents of, every contract," "by or on behalf of such company, or by any person who is or afterwards becomes a promoter, director, or trustee thereof." How is anybody to know who "afterwards becomes" a promoter. You are compelled to set out in the prospectus a contract made by anybody who afterwards becomes a promoter, or director or a trustee; how are you to find out what is to happen in future.

2183. You agree with Cassio, that we know what we are, but not know what we shall be?—Quite so; I do not understand it. Then it goes on: "Where such contract is to be carried into effect out of the funds or capital of the company to be subscribed under such prospectus or notice, or is for the benefit of such promoter, director, or trustee, in relation to the promotion or undertaking of the company." I confess I cannot put any definite meaning to those words. What is the meaning of "for the benefit of," and "in relation to?"

2184. What do you say as to the next paragraph of the clause, "every prospectus or notice?"—There is the same observation to be made about "names, addresses, and occupations." But there could be no difficulty in complying with this: "It shall contain a copy of the memorandum of association," and I suppose it means that; but it seems that it is to have "the names, addresses, and occupations," which, apparently, is something more than appears in the copy of the memorandum. You can give a copy of the memorandum which shall give their names, and what they choose to call their addresses and occupations; but how a man is to find out the real ones, if those are not correct, I am at a loss to discover. Then does it mean "the number of shares agreed to be taken by each of such persons" in the memorandum? If so, it is only a copy of the memorandum. Or does it mean otherwise agreed to be taken?

Chairman—continued.

2185. It means something beyond the memorandum, I suppose?—I suppose so. Then how are they to be "agreed to be taken;" with whom and by whom if there is no company? Then does the word "knowingly" apply to the second part? "Every prospectus or notice which does not comply with the aforesaid requirements shall be deemed to be fraudulent on the part of every promoter, director, trustee, or officer of such company who has knowingly issued or been concerned in the issue of such prospectus." I suppose it is intended to mean "knowingly issued or knowingly been concerned in the issue of;" and what is the meaning of being "concerned in the issue"? How is a man who does not issue, concerned in the issue? I do not know what it means; I tried very hard last night to find out; but if I were asked as a judge to say what a man concerned in the issue of a prospectus meant, as distinguished from a man who was party to the issuing of it, I should not know. Then what is the meaning of the last words, "Unless such person has had notice of the omitted particulars"? What does a "notice" mean? Is it actual notice, or constructive notice? which are very different things in law.

2186. It means something less than knowledge, I suppose?—Actual notice is a little less than knowledge; constructive notice is a great deal less than knowledge. And what is the meaning of "notice of the omitted particulars"? Is it notice of the particulars being omitted; or notice of the existence of the particulars which are omitted? Then what is the meaning, in line 28, of a person being "contingently" entitled "to be allotted any share, bond, debenture, or other capital therein"? What is the contingency to be, unless it is meant that the contingency is "the formation of the company"? It reads two ways; it is either "entitled on the formation of the company, or contingently;" or "entitled in the contingency of the formation of the company." And then, again, what is the meaning of the words "or to receive any payment out of the funds or capital of the company"? They would include everybody employed; every solicitor, every Parliamentary agent, everybody professionally employed. It cannot mean, surely, to make them all promoters, because they are entitled "to receive payment out of the funds or capital of the company" on its formation. All I can say is, that I hope the Committee will not pass the clause in that shape, whatever they do with it.

2187. What would be the meaning of the words "Every prospectus or notice which does not comply with the aforesaid requirements shall be deemed to be fraudulent"?—It will make it void as against the person who takes the benefit of that clause, and he will be entitled to bring an action

Chairman—continued.

action for the fraud against the promoters for any damage occasioned by that fraud.

2188. Is there anything more on this section that you would wish to state to the Committee?—I do not know that there is anything more on that. As far as I am concerned, I disapprove of fictitious frauds altogether.

2189. I understand that you disapprove of the policy of the section as well as pointing out difficulties in the language?—I would punish people for real frauds, and not make any fictitious ones.

2190. Will you be so good as to look now at the 5th clause?—There again that is a question rather of policy. I do not understand why you should protect grown men, and say they should not subscribe to companies unless two-thirds of the capital was *bonâ fide* subscribed, or any other share of it. Many of the greatest corporations in this country, trading corporations, have been established with a great deal less. Look at our great joint stock banks; I think I am right in saying that, with the exception, perhaps, of the Bank of England, not one of them was established with this amount of capital subscribed.

2191. It is not always an advantage to have a very large capital paid up?—Sometimes it is an enormous disadvantage. In the case of insurance companies it is a very great disadvantage; I have known insurance companies, against the law and their deed of settlement, return capital to their shareholders, because they did not know what to do with it, and it was so obviously beneficial to the company that nobody applied to stop it by injunction. Then again, I do not know why you should bind people to a time for allotment; if a man wants his allotment made within a given time he can say so; it is a very common thing to annex a special condition to an application for allotment. It seems to me an interference with the rights of people to contract, which is unknown to our law. Then I do not see that Clause 6 is called for at all, nor do I see the good of it, I am now speaking of it as a matter of general policy. It seems to me that everything that interferes with freedom of contract is in itself an evil.

2192. And, therefore, not to be admitted unless you can show some clear counterbalancing good, I suppose?—A very strong case of counterbalancing good, and over-counterbalancing good. Here again, as to Clause 7, I strongly object to it on the same ground. When you have a case like an insurance company, where the whole public, so to say, are interested, I can understand your calling upon them for accounts; but why you should compel directors to issue accounts to their own shareholders, which their own shareholders can call for, whenever they like by resolution at a general meeting, I do not quite understand; or why you should say that they should prepare their accounts in a given form if the shareholders would like them in some other form. And then again, the notion that any form of account will prevent fraud is quite delusive. Anybody who has had any experience of these things knows that a rogue will put false figures into an account, or cook it, as the phrase is, whatever form of account you prescribe. If anybody imagines that that will protect the shareholders, it is simply a delusion in my opinion; I daresay some of the members of this Committee know something about these things; I am sorry to say I know a great deal about them; and the great

Chairman—continued.

defect in companies is not the rules, or the articles of association, but it is that in practice they neglect every one of them. You have two auditors certifying the accounts who never call for the vouchers; I have known that done over and over again, and I have had the auditors examined before me, and I have said, "You audited these accounts?" "Yes." "Did you call for any vouchers?" "No, we did not; we were told it was all right, and we supposed it was, and we signed it." Nothing is checked, as a rule; I do not say it is the case with every company, but with most companies; everything is taken for granted until it turns out to be all wrong. Now the next clause, the 8th, I object to for another reason; I want to know where the judges are to come from to do this work. It says, "any member of the company where the balance-sheet or statement has not been issued or deposited within 14 days after the date at which it ought to have been issued or deposited, and where it ought to have been issued or deposited, within 14 days after the issue or deposit thereof" may "apply by summons to any judge of the High Court of Justice for an order requiring the directors of the company within 21 days to issue such balance-sheet and statement, or, as the case may be, to amend such balance-sheet or statement, or to attend before the judge in chambers, and show cause why the balance-sheet or statement should not be issued or deposited, or, as the case may be, amended, and the judge shall, upon the hearing of such summons, make such order and give such directions as to him may seem fit in respect of such balance-sheet and statement." That is, he is to investigate the affairs of every company in the land; that is the meaning of the clause. Where the judges are to come from I do not know. All I can say is that you would require a separate set of judges to do the business. The present judges have quite as much as they can do and a great deal more, to administer justice.

2193. It is not quite within the usual function of a judge to go into questions of this kind, is it?—No. How is he to find out whether any material information specified in the forms is omitted, or not, except by taking evidence under trial of some kind? The mere omission to make the balance-sheet altogether, of course, is easy enough to deal with; you can apply to a police magistrate as you do now. And then again, as I said before, what is the use of it when you have got it? If they are honest people you do not want it, because they will issue very good accounts, to you and pretty regularly too. It is the dishonest people who do not issue accounts; and you never would get a true account from them.

2194. I understand you, then, that you think that such a case as is supposed here would warrant some much more stringent course than merely asking for an account?—Certainly. You may depend upon it that decent, honest directors issue their accounts quite regularly to their shareholders, as a rule. And then I know perfectly well that, as a rule, when things are not going on well, these accounts are entirely delusive. I have to investigate them frequently. Look at the account furnished at the last general meeting before the winding up, say, six months before, and the first account furnished by the

Right Hon. Sir *G. Jessel.*

5 July 1877.

Chairman—continued.

official liquidator, and compare the two, and you will see that the accounts regularly submitted to the meeting are quite delusive.

2195. Is there anything else that strikes you on this Bill?—I may say the same with regard to the form of the schedule. When you come to look at it, you will see that it does not give you any real information. Take the one side, "Capital and Liabilities;" "Share capital," that is intelligible; "Mortgages, Amount owing on Mortgage (or Debentures)" by the company, that is intelligible; "Debts, Amount owing by the company;" how far they are to go into detail does not appear in the schedule; "Reserve Fund," if there is any; "Profit" of course is a mere matter of estimate. On the other side you have that which is the material part of the balance-sheet, that is to say, what you have got. What you owe is generally pretty well known; the thing is, what you have got to meet your liabilities. And there you will find, "Freehold and leasehold land, and other properties." Are you to put it in that way, because underneath, it says, "Insert principal general items?" I suppose "other properties" will comply with the Act. What information will that give anybody? "Machinery and plant, including rolling stock." Now if there is any one item more delusive than another, it is that. Of course it will depend on the valuation, and you will find the same thing valued one day at many thousands of pounds, another day at as many hundreds, and another day at nothing. Of course it is not merely caprice, it depends on circumstances. I have had a great many iron companies wound up lately; the iron trade has been very bad, as the Committee know; a great many of those companies have come to be wound up; on looking at their balance-sheets, we found their fixed plant and machinery valued at many thousands of pounds sometimes, and when we came to sell it, we could get nothing for it at all; sometimes a landlord took the whole thing for the rent. That does not tell you anything in fact. Then "stock-in-trade" the same. Then "Debts owing to the company." It is no use saying what the debts owing to the company are, unless you distinguish the good ones from the bad ones. It simply says that you are to put the "debts owing to the company." It does not appear to me that such a balance-sheet would tell you what you really want to know, and what you cannot ascertain by a statement in a balance-sheet; you can only ascertain it by sending a competent auditor acquainted with book-keeping who can investigate the books and can make out an accurate balance-sheet; and then you must have a competent valuer to value the assets in specie, and then a competent man of business who knows the trade, to value the debts due to the company; and then you must have honest people who will make proper entries in the books that these people have to examine. And if you have got all that, you do not want this Act of Parliament.

2196. Is there anything else, either on that schedule or on the Bill, which you would like to say?—There is a very useful clause, namely, Clause 9; it is a case omitted in the former Act. My impression of the Bill is (I hope the Committee will not think me presumptuous in stating this) that the Bill will produce mischief in two ways. It will, first of all, make applicants more careless even than they now are, because they will imagine that they have some statutory protection. And in the next place, it will embarrass the promoters of genuine companies (for there are such things), and will deter, I think very often, men of respectability and means from joining the direction or becoming promoters of such companies, for fear of the consequences. I do not wish the Committee to suppose that I am satisfied with the working of the present law. As I said before, there is no sufficient means for prosecuting rogues. My predecessor, Lord Romilly, on one occasion, when a very bad case came before him, directed the papers to be laid before the Attorney General. The Attorney General of the day sent for answer that it was no part of his duty to look at papers sent to him by a judge; he had nothing whatever to do with them, and could only look at papers sent to him in the ordinary course by the solicitor to the Treasury. Since that I believe no judge has attempted anything of the kind. I need not say, that if you cross the Channel a very different course of procedure takes place. If before a civil judge in France you brought a case in which he thought there was anything like roguery on the part of directors, or promoters, or anybody, he would immediately direct the public prosecutor to take up the matter, who would investigate it and prosecute it, as a matter of course. If anybody would suggest any such machinery by which a judge could compel some public prosecutor, or somebody on behalf of the public, to take up these cases, it might do a great deal of good. What happens is this: when a company fails, and people are satisfied that they have been swindled, if they can get any money out of the promoters, if any of the promoters are men of means, they will subscribe together and institute a civil suit against them and recover the whole, or a portion of the money they have lost; but if they find that the men have no means, or that there is no means of making them account civilly, so as to get the whole or a portion of their money back, they do not feel inclined to go to the trouble of prosecuting; and therefore these men escape, and they rely upon that.

2197. Have you considered the question of the winding up of companies?—Yes, I have a great deal.

2198. Have you anything that you could tell us about that?—Whatever you do in winding up will give dissatisfaction. Winding up means this, as a rule, that the company is utterly ruined. Very few companies go into liquidation till they are actually ruined. There are a few exceptions, but that is the general rule; they carry on their business a great deal too long; either they hope against hope, or the directors and managers have been cheated by misrepresentations made to them. The result, therefore, is that there is very little left for anybody, and the property, as a rule, is utterly insufficient to pay the debts, and the only result of winding up is that you have to make calls on a set of needy shareholders, to their great dissatisfaction and annoyance. Of course they resist in every possible way they can, and raise every possible legal question that they can, to avoid payment. Then, if that does not do, they run away. I am afraid it is very difficult to catch them very often; it takes years to find them; sometimes you have to compound with them. The whole result is that after enormous delay,

Chairman—continued.

delay, great costs, and infinite vexation, some of the creditors get a small dividend. That is the general result; there are exceptions. Then people find fault with the method of liquidation. No method of liquidation will produce any more money. I do not say it is perfect; and it may be improved in some little details; but for judicial administration it is very good. A great deal of trouble has been taken with it by successive judges, and if you have judicial liquidation at all (and I am not sure that judicial liquidation is desirable) I do not know that you could do any better. I wish I could honestly say you could, because I should like to send away the business to some other court, and I suppose that is the feeling of every judge. If I could honestly recommend Parliament to send it to the Court of Bankruptcy I would; but I do not think it would be done any better there.

2199. On that point will you tell us what the effect would be of sending it there?—You would have the same set of solicitors and accountants, who would be paid at certainly as high a rate, and probably at a higher rate, because we make their pay in the Chancery division depend on the work they do, and the result they accomplish, to as great an extent as we can. The pay of the official liquidator depends on the amount distributed to the creditors. But a certain amount of the expenses must be dead weight, that is, wholly irrespective of the nature of the company and the amount distributed, and those dead-weight costs generally absorb the whole or a large portion of the assets of the small companies, the result is that, in the case of small companies, the winding up may be described as a winding up for the benefit of the solicitor and the liquidator, and nobody else. Then when you get to companies a little larger, so that the dead weight is fairly borne, you get a dividend for the creditors, but I do not see any advantage except to the judges (I personally should be very glad of it), in sending them from one court to another court.

2200. Complaints are made of the charges of the liquidators; have you anything to say on that?—I do not think they are too high. I have paid a great deal of attention to the subject, and the accountants, I know, complain now that they are not sufficiently remunerated. People who make these complaints use statistics in a very odd fashion; they take the payments made to liquidators years ago, before the present regulations were in force, and where no doubt, occasionally, they got very much larger sums than they were fairly entitled to; but I do not think that the present scale is at all too high.

2201. Is there any limit to it?—There is a limit in every way; there is a limit as to scale. I think there are five scales, either four or five, according to the amount distributed; and there is a limit to the allowance for the pay of the master, that is the accountant himself, and of his clerks, and they are only paid on evidence of the number of hours employed, and they are paid according to that scale. Their pay is as strictly regulated as it can be.

2202. You do not see that any great improvement can be made in that?—I do not see how you can improve it at all; because you cannot possibly detect the useless employment of a clerk. If a liquidator brings in an account, and he has employed, say 12 clerks for 150 days, giving the

Chairman—continued.

number of days each clerk has been employed and so on, you cannot check that and say, "You ought to have had so many fewer clerks, or occupied them so many fewer days in going over these accounts." I do not see how any other limit could check it.

2203. You cannot pay him by a per-centage, you think?—That is worse than all, because that is irrespective of the labour. Of course a liquidator ought to be paid for work and for nothing else. The result of paying by per-centage would be this: that you would get nothing done at all with the small companies; they could not be liquidated at all.

2204. It has been suggested that the solicitor might undertake the duty of liquidator; what do you say to that?—He could not do the duty of the liquidator as a general rule. If he undertook the office he would have to employ an accountant.

2205. You think nothing would be gained by that?—You must pay for the accountant.

2206. In fact you do not see that any very important changes could be made in it?—I do not see any very important changes that could be made, unless you put the liquidation entirely out of Court in the hands of some man who should have authority to decide, like a Turkish cadi, on all questions, without going to the Court at all. Then if you had no litigation at all, and you could trust that man to do what he liked, you would make it cheap.

2207. Would not that, however, be open to abuse?—It would not be tolerated in this country. I do not suggest that, but it is the only alternative I see. If you have a judicial liquidation, it must take time and money.

2208. Is there anything else you would wish to suggest?—I am not aware of anything else.

Mr. *Gregory*.

2209. I ask you a question with the greatest possible deference, as a matter on which, of course, your opinion is very much higher than mine; you stated that directors might be fraudulent trustees under the Act?—Yes, if they misappropriated somebody's money.

2210. Has not the question been raised whether they are agents for the shareholders, and not trustees?—You know there have been various opinions; they have been called commercial trustees, and they have been called agents, but they are, undoubtedly, persons in a fiduciary position.

2211. And, therefore, they come under the Act?—I should think so; but if there were any doubt about it, it could be made quite plain. I should think they are trustees as far as the money is concerned.

2212. That would not apply to what are called promoters of a company?—No.

2213. They would not be fraudulent trustees, and you must proceed against them in another manner?—As a general rule, they would not be fraudulent trustees.

2214. How would you propose to make them liable?—If they are guilty of fraud, of course they are civilly liable, as they are now, to refund anything they fraudulently obtain; and if they are guilty of conspiracy to defraud, they may be indicted and punished; and I do not know of any other offence they can commit.

Right Hon. Sir *G. Jessel.*

5 July 1877.

Mr. *Gregory*—continued.

2215. If they were fraudulent trustees they could then be indicted under that Act?—Yes, but only for misappropriating the money; but they never get the money in that sense.

2216. Promoters might get the money?—They do not get it paid to them in that character.

2217. Not as trustees; but my question points to this, whether you should make them trustees for that purpose?—The law of conspiracy is quite wide enough to reach them.

2218. You must have two or more, of course, to make them conspirators?—Yes, but there are always two, you know, in those cases.

2219. You have seen a great deal of the liquidation of these companies, and from what you have seen a great deal of their formation?—Yes, a great deal.

2220. Now we have had it in evidence that these companies have been formed at the rate of 1,200 or 1,300 a year, with a nominal amount of I forget how many millions; I think twelve hundred millions or fourteen hundred millions altogether, since the passing of this Act. It is quite clear from that, and I daresay it is your own experience, that many of these companies are got up, not only loosely, but you may say fraudulently?—I am not sure that the amount of capital shows that. At one time companies were started with absurd capitals; some of the new insurance companies, which failed, were started with capitals quite ridiculous, which were never intended to be called up; and some of the credit companies were started also with nominal capitals of millions, when they were not intended to call up as many thousands.

2221. Has it occurred to you in the course of liquidation to find this, that the sum originally called upon the share, or paid upon allotment, did not anything like represent the nominal amount of the liability, or the ultimate amount of the liability?—Yes; some years ago it was very common indeed to issue companies with a small fraction of the nominal capital paid up; and in some cases that is legitimate.

2222. The parties took their shares under the Limited Liability Act, but still they were subject almost to an unlimited liability?—But they took shares before the Limited Liability Act, in unlimited joint stock companies, with the same freedom. Take our great London joint stock bank, they were all started with unlimited liability; I do not know that there was any difficulty. I am old enough to recollect the unlimited companies, which were very numerous.

2223. But then it was never held out to those parties that their liability was limited?—That is so; but still you would find that an immense number of people, and the same class of people, took shares, if you look at the list. One of the great objections to the unlimited liability system was that you deterred persons of means from subscribing, because they did understand that their whole fortunes were liable to be swallowed up at the caprice of certain directors over whom they had no control.

2224. Does it not come to this in some cases, where so small an amount is paid, and so large an amount is unpaid, that practically the liability of a man is unlimited in taking these shares?—Yes, practically it is unlimited, because he has not the means to pay the uncalled amount on his shares; he knows that very well.

Mr. *Gregory*—continued.

2225. Has it occurred to you at all whether there should be any sort of guarantee in the formation of these companies for the practical limitation of the liability, or for the *bona fides* of the company?—My view of it is this: According to our law any man may go into partnership with any other man or number of men; that is unlimited liability; I think there should be means of allowing people to go into partnership with limited liability, which cannot be done now. It can be done in almost every other country that I am acquainted with, but it cannot be done in England. There was an attempt in that direction made by the Act, which is generally known by the name of Sir William Bovill's, by which a loan could be made with an interest in the profits; but then his Act has not worked well for this reason, that it does not give the lender sufficient control over the business. Now in foreign countries (I am speaking of the continental countries) you know there is a *societé en commandite*, and there one, two, or more men, the *gérants*, is or are liable for their whole fortunes, and the others only liable for the sums they put into the partnership. That you cannot do in England; and it very often happens that people wish to do it, and, therefore, they make nominally a limited company, not really a company, though it is so in the legal sense of the word, but they turn a small business, it may be, into a limited liability company, to get that advantage. I have known a case where a chandler's shop was turned into a limited company.

2226. Has it not occurred to you that the formation of such companies as I have pointed at, is an abuse in fact of this Act of 1862?—That depends upon what view you take of the Acts. If you consider that you may under the Act form a company without limited liability, it seems *a multo fortiori*, that you may form them with a very slight limit. Of course, I have no means of ascertaining the intention of the Legislature, except by the language of the Acts of Parliament.

2227. Of course, in the formation of a partnership, under the common law, a man is liable to the fullest extent to every farthing?—Yes; that is a question of policy, but the law soon broke into that. It was found to be impossible to carry on business on that theory, and trading corporations sprang up on every side, the Bank of England being a notable instance.

2228. Now you hold out to him under an Act of Parliament that his liability is limited?—Yes.

2229. And practically in many cases that limitation is nothing?—Limited to the amount of his shares.

2230. And the company from the beginning is rotten in its inception; has it occurred to you that Parliament in holding out a limited liability should impose any guarantee against those circumstances?—Well, whether or not, you should have had corporations only, so that nobody should be liable at all beyond what he paid, I do not say. That is a question of policy; it might very well be that you might enact that they should be pure corporations, and that the members should not be liable for anything beyond what they paid; that would be one way of doing it. Another way would be making them liable for a certain sum, as in the case of the chartered banks,

Mr. *Gregory*—continued.

banks, where they are made liable for double the amount of their shares, I mean the old Indian banks; they pay up one-half of that for which they are liable, but they pay up the whole capital.

2231. You know in most cases of companies incorporated by special Act of Parliament some such guarantee is required?—In that class of company.

2232. I am talking of railway companies; there is a guarantee for the *bona fides* of the undertaking required?—Yes.

2233. Do you not think that should be required generally?—That I think is quite right in the case of railway companies, or canal companies, or any company which has public privileges conferred upon it. If you give a public company a monopoly, you are entitled to give it under such conditions as Parliament thinks fit, and to say, "If we give you this privilege we insist upon your satisfying us that you will take a fair advantage of the privilege, and not abuse it."

Chairman.

2234. It takes property compulsorily too?—Yes, they all have privileges. I do not think Parliament, if I may say so, has any right to impose conditions on the mere facility of contracting, if you give them no other privilege.

Mr. *Chadwick.*

2235. With reference to Clause 4, which is intended to rectify a defect in Clause 38 in the Act of 1867, will you be good enough to say whether you would recommend any alteration of the law, any amendment of Clause 38?—I should recommend that Clause 38 should be repealed.

2236. And what clause substituted?—None. Let it remain according to the general law, which I think sufficient, as I said before, if you amend your procedure. I think I did say that with the present procedure you do not punish a rogue, because it is too expensive and too troublesome.

2237. Would you recommend the repeal of Clause 38, without the appointment at the same time of a public prosecutor?—Yes, I think I would; I think it would help the appointment of a public prosecutor.

2238. This Clause 4 is intended by the promoters of this measure to require a full disclosure of everything, and it has been stated before the Committee that it would not deter *bonâ fide* and honest companies being formed; you seem to be of a different opinion?—I think so. I know as a fact that timid persons now decline to join new companies on any pretence whatever; they are so frightened of the indictments, and prosecutions, and actions.

2239. I presume you admit that your experience is more with the evil done than with honest, *bonâ fide*, and successful companies?—Certainly.

2240. Evidence has been given before the Committee that the fullest disclosure, as specified in Clause 4, and even with more rigid specifications of details, would be a great advantage to honest companies, rather than otherwise; you do not concur in that opinion?—I confess I do not see that any Act of Parliament is required for enabling persons to make full disclosure, if they desire it; and if these honest people wish to do so, they can do so without a clause in an Act of Parliament.

Mr. *Chadwick*—continued.

2241. Referring to the balance sheet, you stated that it was a defect, now that the auditors did not examine the vouchers; if you look at the certificate in Form B., it requires the directors' certificate to state that they certify the correctness of the accounts, "to the best of their knowledge and belief," and the auditors to make use of the words, which you have suggested, that they have examined the "books and vouchers" of the company. Having regard to the fact that Parliament has specified fixed forms of balance sheet in relation to railways, building societies, and insurance companies, and that they have been found to work exceedingly well, do you see any objection to Parliament specifying that in relation to these joint stock companies?—I am not prepared to assent to the proposition that they have been found to work exceedingly well. There is nothing so difficult, as far as I am aware, as to understand a railway balance sheet; I have had many discussed before me; you do not know what it means, unless you know the theory on which it has been framed, and what allowances have been made; unless you are a railway traffic manager, and know exactly how it has been framed, you cannot form any opinion on it. I know from evidence before me that you cannot compare the balance sheets of two railway companies, unless you know that they have been framed on the same theory.

2242. It is an advantage over the old system that it is required that they shall be framed on the same model, I presume?—It is not only the same model in form but the same theory that is needed; you cannot compare the balance sheets of two life insurance companies unless you know the theory on which they have been framed. It is not sufficient to put it in form; it is the substance. I do not know how the auditors can say that they have done this: "We have compared the same with the books and vouchers of the company, and with the certified stock accounts and bankers' and other balances, and have examined the schedule of assets." Now, for instance, take this one: "Certified stock accounts;" it is no use looking at a piece of paper, which is called a certified stock account, unless you can trust the man who has certified it; that is, the man who certifies the stores; he may certify a vast quantity of stock, which is old iron, as of great value. I have known that sort of thing done so often that I have lost all faith in these pieces of paper.

Mr. *Sampson Lloyd.*

2243. Will you permit me to ask whether you can give the Committee any suggestions as to the machinery and method necessary for applying the system of a public prosecutor in this country?—I have no doubt that you could not have a separate public prosecutor for this particular purpose; I do not think that would be consistent with our ordinary method of procedure; but what you really want is this, you want somebody who will take the trouble and incur the expense on behalf of the public without hoping to get any profit by it; now you cannot expect ruined shareholders to do that.

2244. I want to be permitted to ask whether, knowing the system as you do, in France and other countries, where that system, as we all

Right Hon. Sir *G. Jessel.*

5 July 1877.

Mr. *Sampson Lloyd*—continued.

know, has worked very well, with your large experience you are able or prepared to offer the Committee any suggestions as to the sort of machinery which would carry out the same thing for this country?—That has been fully investigated and reported upon by the Judicature Commission; there is no difficulty about the machinery, if the Houses of Parliament once agree on the appointment of a public prosecutor.

Chairman.

2245. It is a question of money, is it not?—Yes.

Mr. *Sampson Lloyd.*

2246. There is no such machinery existing now in the Bankruptcy Court?—No.

2247. It is a question of money, I understand you to say?—Entirely.

Mr. *Rylands.*

2248. I gather your opinion to be, that if we were to enact Clause 4 in these terms, it might happen that a person really innocent of intentional fraud might be caught within the meshes of that clause?—Certainly, because if he is guilty of intentional fraud you do not want the clause.

2249. If a person were so caught, and suffered in consequence of it, would it not, in your opinion, create very great alarm amongst people who would otherwise be inclined to join joint stock companies?—I think it would not only deter respectable people (that is my individual opinion only), but I think it is mischievous. I think the Legislature should not attempt to persuade people they are protected when they are not. There will be as many people victimised after you have passed this Act as before, and they will complain of the Legislature which deluded them into taking shares under the notion that they were now safe and protected against every kind of fraud. That is the reason. You cannot make people honest by Act of Parliament.

2250. Do you not think that it is an unwise proceeding to teach people to rely rather upon Acts of Parliament than upon their own experience and judgment in protecting themselves from fraudulent endeavours?—I quite agree with you in the scope of your question; but I think you will not teach them eventually to rely upon Parliament, because they will find out that the Act of Parliament is no protection.

2251. But in fact, I suppose, you have found, in your experience, that the effect of such disclosures as those which have recently taken place has been to make people more cautious?—They are more cautious; you cannot float companies as you could some years back.

2252. And that the way to remedy the evil is to trust to the effect of those lessons of experience rather than to any nicely drawn clauses; that is your opinion, I fancy?—It is substantially as you state.

2253. It has been suggested to us that this form of balance sheet should not only be insisted upon for distribution amongst the shareholders, but also that it should, under penalties, be deposited with the registrar of joint stock companies; would you be of opinion that that might be made a means of fraud, by balance-sheets being sent to the joint stock companies' registrar of a fraudulent character?—I do not think they would be more or less fraudulent than they are now. As I said before, I have an utter distrust of these pieces of paper, called balance sheets.

Mr. *Rylands*—continued.

2254. But supposing the case of a company who were anxious to deceive the public in regard to their position, it would be a very easy way of doing so, if they could send their balance sheet to the registrar of joint stock companies?—I do not mean to suggest that in every case of these false balance sheets there is a deliberate intention to deceive; there is a sort of desire on the part of everybody to make things pleasant. When these companies have lost a great deal of money, they do not like putting down all the debts as bad which are bad, and they do not like to write off their stock at its depreciated price; and in that way these delusive balance sheets keep going on from half-year to half-year, until at last the crash comes, and then it is found out that what looks like a surplus is a very large deficiency. I do not think it is deliberate fraud as a general rule.

2255. But whether it was deliberate fraud or whether it was laxity in the preparing of the balance sheets, still if they were, under an Act of Parliament, deposited with the registrar of joint stock companies, so far as it went it would give an opportunity of misleading people who referred to it?—I do not think they would be misled, because they would know it was not trustworthy if they knew anything at all about it.

2256. You think it is in no sense desirable to have the balance sheets so registered?—I think not. I do not see what right the Legislature has to interfere with the concerns of private companies, I mean as distinguished from companies which have some public privilege; let them carry on their trade in their own way.

Mr. *Alfred Marten.*

2257. If I understand your view, you would repeal the 38th section of the Act of 1867, independently of any question of the appointment of a public prosecutor?—Quite.

2258. And your view would be that as far as possible the Legislature should allow perfect freedom of contract, with or without limited liability, enabling companies to be established for trading purposes on the principle of ordinary partnership, but with the principle of limited liability?—I see no reason why persons might not contract to carry on business, either wholly free from liability beyond what sums they subscribed, if it were duly notified to their creditors; or with a liability to a limited sum beyond what they subscribed; or with wholly unlimited liability. I see no reason why three people might not do that as well as seven, or why one person might not do it; why he might not advertise, for instance, that he has put 10,000 *l.* into a concern, and will not be liable for a shilling beyond it.

2259. You see no objection to that being allowed?—If John Brown started a company "John Brown, Limited," and deposited a note with the Joint Stock Companies' Registrar, that "John Brown, Limited," was a company consisting of John Brown, and that he had put 10,000 *l.* into it, and was not to be liable for anything beyond that, I see no objection to that being allowed. Anybody dealing with "John Brown, Limited," would know that.

2260. Do you think the present law, presuming it

Mr. *Alfred Marten*—continued.

it to be enforced, is sufficient for the punishment of that which is really fraud?—I think the law is sufficient; but as I explained the difficulty of putting the law in motion is so great that private people do not attempt to enforce it.

2261. Do you think that directions should be given that the order of a judge directing prosecutions should be, as a matter of course, pursued, just as a prosecution would follow on a committal for perjury?—That would do; but the difficulty is, as the Chairman has explained, one of expense; the prosecutions, under the Joint Stock Companies Act, are enormously expensive.

2262. But I suppose a judge would take into consideration a question of expense to the public?—I would rather myself not let the judge direct a prosecution, but let him have power to refer it to the prosecutor with the direction that the prosecutor should consider the case so referred with a view to a prosecution if he thought it desirable.

2263. Would it be sufficient, under the existing system, that that reference should be made to the Attorney General or the Secretary of State, having regard to the fact that we have not established a public prosecutor?—If it were enacted that the Attorney General, or whoever the person might be, should consider such a recommendation with a view to institute a prosecution, wherever practicable, that would answer the purpose.

2264. And it might be either the Attorney General or the Secretary of State?—Yes.

2265. Do you consider that any fresh legislation is requisite for the purpose of furnishing information of the proceedings of companies, either with a view to protect the creditors, or for the protection of the shareholders, as to filing accounts or supplying information to the Joint Stock Registrar?—Not that I know. As I said before, I think all these are vain ceremonies. If you have rogues to deal with, they will send you in papers perfectly *en règle*, as the French say. It is not the rogues who make mistakes of this kind; it is just like the thieves in France, always having their passports all right. They will give you everything in form, looking beautiful.

2266. Would you recommend that liquidations should be conducted entirely officially, or that there should be a limited number of persons who should be generally appointed by the court as fit for the office of liquidators, and that those only should be appointed to liquidations?—I do not like official liquidators, in the sense of their being officers of the court. At present you know they are nominated by the persons who obtain the conduct of the liquidation, and, I think, on the whole, the work is better done in that way; but any system of liquidation, I do not care what the system is, would be very unsatisfactory to everybody concerned, from the judge down to the lowest official employed.

2267. Would you make any suggestion as to the mode of nomination of the liquidator so as to prevent parties racing for the winding up?—I do not find in practice that there is any difficulty in controlling racing. I do not think it much matters. The gentlemen I know proposed in my court for liquidators are almost universally very respectable accountants, people familiar with the business, and the only contest is, not who is to be

Mr. *Alfred Marten*—continued.

liquidator, but who is to be the solicitor of the liquidation.

2268. Would you recommend that in all cases of liquidation, whether voluntary or under the supervision of the court, or by the court, moneys received by the liquidator should be paid into court, or to a specified bank account?—It is now paid into the Bank of England; I believe it works very well; we have not lost any money through the default of official liquidators.

2269. Would you recommend that it should be the same with regard to voluntary liquidation?—I think it would be very desirable, but I do not know how to secure it if you have not the control of the court. If you have no interference by the court I do not see how you are to control the money.

2270. Would you recommend that liquidators should be compelled to pass accounts at specified periods, if they are voluntary liquidations?—You can compel the liquidator to pass his account now by taking out a summons; and if people do not wish to do that, I do not see why you should compel them.

2271. You think the present provision of the law is sufficient?—Yes, quite. The real drawback is the great expense.

2272. Do you think that any alteration could be made in the law, in the 25th section of the Act of 1867, as to shares being deemed to be "issued and to be held subject to the payment of the whole amount thereof in cash, unless the same shall have been otherwise determined by a contract duly made in writing, and filed with the registrar of joint stock companies at or before the issue of such shares"?—I think though, *a priori*, I should not have proposed such legislation, it has not done any mischief, and has occasionally done some good.

2273. You would not recommend any alteration?—I do not see any mischief arising from that. At first it was not well understood, and perhaps on that account people were defrauded, but latterly it has been well understood.

2274. And now it works satisfactorily?—I think so.

Mr. *Orr Ewing.*

2275. You say that you do not approve of giving protection by the law to grown-up men?—Without necessity.

2276. In entering into business arrangements?—Yes, as a rule I should not.

2277. And you said you did not wish to interfere with freedom of contract; do you not think that the Acts of 1862 and 1867 interfere with grown-up men and freedom of contract?—In what respect?

2278. Do they not grant a privilege above others who are carrying on commercial dealings to the members of these companies in limiting the amount of their liabilities?—I think that they do not go far enough; I think there should be perfect freedom of contract. I do not see why a man should embark his whole fortune in every trade in which he enters. If a man says, "I wish to establish a glass factory, and I will start it with 10,000 *l.*, and give notice to all the world that I will not be liable beyond that," why should the common law prohibit such a contract?

2279. But if the common law provides that a man entering into commercial transactions is

Right Hon. Sir *G. Jessel.*

5 July 1877.

Mr. *Orr Ewing*—continued.

liable, not only for the money he has in that particular business, but for all the money he holds in the world, does it not offer a person, under the Limited Liability Act, a privilege and an advantage over him?—I think to that extent the Limited Liability Act improves the common law, which, to my notion, is barbarous, and not suited to a highly civilised country.

2280. But so long as the two laws exist, does it not give an advantage to the person under the Act?—It improves the law to that extent, by enabling him to contract in a way he could not under the common law, that is by limiting his liability. The common law prevents freedom of contract. Why should not two grown-up men make this bargain together, "If you will sell me 1,000 *l.* worth of goods on six months' credit, I will use those goods in the manufacture of glass, and if I succeed I will pay you 1,000 *l.*; if I fail I will guarantee your debt to the extent of 10,000 *l.*, together with all the other debts I contract for the purpose of carrying on that factory;" and if everybody knows that, why should they be prevented from entering into such a rational contract?

2281. Do you think that if that were the universal practice in this country it would not lead to a reckless system of conducting business?—I think not.

2282. Would you approve of this limitation being extended to domestic expenses?—That is a question which could hardly arise, but I suppose there would be nothing impossible in a man saying, "I guarantee the payment of my debts to the extent of 10,000 *l.* in a year, and not beyond;" and if people choose to contend with him on those terms, I do not see why they should not.

2283. Would you recommend that policy?—No; what I said was for the sake of trade. My impression is that trade is carried on quite as cautiously and safely in France as it is in England. When I say quite so, I mean rather more so.

2284. Are not the French people more cautious and careful, and less venturesome than the English?—It may be that they are so by nature; still I am only answering the question; it does not appear to me that the law of partnership *en commandite* leads to recklessness.

2285. Is that very generally adopted in France?—Very generally.

2286. It has not had such disastrous results there as these Acts have had in England?—Certainly not. As a general rule, partners *en commandite* are members of a man's family, and of course their interests are almost as sacred to him as his own.

2287. With your great experience, I suppose you are aware that the result of these Limited Liability Acts has been very disastrous, as a whole, to this country?—I should not say so.

2288. Have you made any calculation in your own mind as to the amount of companies that exist at present, in proportion to those that have been formed?—I do not think any statistics of that kind are reliable. The way that I view it is this: there are a large number of limited liability companies that have proved successful; there are a comparatively small number of genuine companies fairly established that have proved unsuccessful; then it is a mere matter of

Mr. *Orr Ewing*—continued.

vague indefinite opinion as to whether the total result is beneficial to the community, or not.

2289. You have not made up your mind?—No. My impression is in favour of its being beneficial, as I said before.

2290. I suppose you, in speaking of the companies that have been successful, were alluding more to insurance companies and banking companies?—I include the great commercial companies, railway, and dock, and canal, and tramway, and harbour, and wharf companies as well; they are all limited liability companies.

2291. But I speak of limited companies under these Acts; you do not consider that railway companies are?—They are all the same; one must not think of names; they are all corporations, but their limit of liability is by statute the same as these.

2292. Yes; but they are under private Acts?—It happens to be so; not always, sometimes under a certificate of the Board of Trade.

2293. Railways, you mean?—Yes, certain kinds, specially tramways, and some railways.

2294. Tramways under Provisional Orders?—Yes, and some railways.

2295. But I am referring, in my question, entirely to companies started under these Acts of 1862 and 1867?—They differ only in name, not in essence.

2296. Any question I put is in reference to these Acts, which only we have to inquire into; private Acts of Parliament are not in our reference; now, with that understanding, would you give the same answer, that, as a whole, the companies started under these Acts have been successful?—I am not able to answer that question.

2297. Do you know any one single manufacturing concern with a small capital which has been successful under this principle?—Either with a large or small I should say, "No."

2298. It is unsuited for manufacturing concerns?—I will not say that, because I do know some companies which have been formed under the Act; but, then, they are family companies; they are companies where the family of the manufacturer has turned that which was a private partnership into a limited liability company in the sense of inviting subscriptions to buy the business.

2299. I do not dispute that in large companies this may be a successful way of carrying on business; but what I was wishing to direct your mind to was companies formed to compete with a private enterprise, where the capital required is not great; these companies cannot be successful, can they, from the mode in which they are managed?—As a general rule, I should think it is not suited to a small manufacturing company, because the expense of management is so great, and there is a want of incentive to individuals to exert themselves.

2300. I think you told us that you did not approve of the Acts as they are?—I think they should go further; I think they limit the power of contracting too much.

2301. I thought that you possibly would suggest some alteration in the formation of companies?—I would. I would suggest the very simple alteration of abolishing all the rules altogether, and allowing anybody or any number of persons to form a company for trading purposes who thought fit.

2302. Without

Mr. *Orr Ewing*—continued.

2302. Without any restriction whatever?—Without any restriction whatever, except publication. If any one intended to trade with limited liability, it should be properly published and registered.

2303. And you would extend that system to private partnerships as well?—To all private partnerships.

2304. You are quite hopeless of making any improvement in the Acts to prevent fraud, and rogues robbing the public?—I think that is chimerical.

2305. And you thought that liquidation could not be improved by any balance-sheet?—Not substantially improved.

2306. In fact, you would leave every one to conduct their business as they thought proper?—Quite so, giving fair notice.

2307. But do not you think that policy, instead of making this system, which has been so disastrous, a general one, would rather lead us to think that the abolition of these Acts would be better for the commercial community of the country than the mode you propose?—My present impression is very strongly the other way. I think these companies are the offspring of a proved necessity, that is that men should be entitled to engage in commercial pursuits without necessarily involving the whole of their fortune in that particular pursuit in which they are engaged.

2308. There has always been a want of that kind; a man on the turf acts on that principle, bets to a certain amount, and he may win, but if he loses, his liability is limited?—Yes.

2309. Do you think that the suggestions which you have made would reduce commercial dealings very much to the same position as gambling?—I think not. First of all we have the experience of all the continental countries the other way which is, to my mind, a conclusive answer, because the system has been in operation there for many years without producing any such results; and, in the next place, you must remember that the same thing has been done to a very considerable extent under these Acts; for instance, a man dies leaving his property to three or four sons; he is the senior partner in a concern, if the capital were taken out the concern would be ruined; the junior partners cannot go on; they say to the children, who are not in the business, and who have succeeded to large fortunes, "If you shut up the business you will lose a great deal; let us form it into a limited liability company, which will enable you gradually to draw out of the concern, and, in the meantime, it can go on as before." I have known that done with great success.

2310. You are quite aware that in this country our money laws are entirely different, our banking laws are quite different, and the habits of the people are quite different from those which prevail on the Continent?—But what I was alluding to just now was in Yorkshire. I say this particular Act was used for that purpose.

2311. You referred to foreign countries; in foreign countries the banking laws are quite different; enormous sums of money are deposited here by people who do not wish to run the risk of commercial transactions; it is not so in France; they hoard the money; they do not deposit the money; and hence there is not such a command of capital for carrying on the manufacturing industry and commercial enterprise of any country in the world as there is in this country, especially not in France; is it not so?—I think that the alteration of the law would increase the facilities for the employment of capital. Supposing, for instance, you knew a young man who was thoroughly competent to conduct business, and he came to you, and said, "Now, I want to start such a business, which I understand thoroughly, which you know I do; give me 20,000 *l.*, and become my partner, and you will risk no more; you shall have a large share of the profits." That might induce you to advance the 20,000 *l.*, which the present law prevents your doing, because you say, "No, you are a competent young man; still I do not want to put my whole fortune under your control."

Mr. *Orr Ewing*—continued.

2312. Do you think that there is any want of commercial enterprise, or of capital for the legitimate business in this country?—The country is so rich that I do not think there is any absolute want of it.

2313. Is it not the case that at the present moment almost every manufacturing business in this country is unremunerative, because of the over production and over zeal and energy of the people in the development of the industry of the country?—That is no reason why you should restrict the operations of business by legislation. That must right itself like every other economical law.

2314. Do you not think that it is most just to all to leave these things to natural laws; what is meant by natural law?—According to my notion there is no natural law which makes a man liable beyond that which he has contracted for, and which the other party desires that he should be liable for.

2315. Do you not think it is a natural law that if a man has one enterprise by which he has lost money, and another enterprise by which he has gained, he should take the money from the one he has gained by to pay the debts of the one he has lost by?—I do not think you can answer the question in that way, because it assumes that it is a debt, which it is not if the original term of the contract was, that you are only to pay a certain sum in a certain event, and that event does not happen.

2316. Do you not think that an honourable man would consider it his bounden duty in honour to do that?—Certainly not; he would say to the creditors, "You will charge me in proportion;" the creditor would take that into account in risking his money; he would say, "If this company fails I have only to take the specified amount to look to."

2317. You think an honourable man would not act in this way?—I think so.

Mr. *Hopwood.*

2318. You were asked about the suggested guarantees for the *bona fides* of a company contained in the Bill before the House, and you were asked whether you knew of any instance, and it was suggested to you that there was an instance in the case of railways; now, with railways, is the guarantee you mean this, that in order to comply with the Standing Orders, the promoters were bound to deposit 5 per cent. upon the estimated cost?—Yes.

2319. And that that sum remains in court until after the passing of the Bill or the termination

Right Hon. Sir G. Jessel.

5 July 1877.

Mr. *Hopwood*—continued.

of the Session, when an application is made to the judge of the court to consent probably to allow that money to be paid out?—Yes.

2320. I do not know whether it has come within your knowledge that sums are frequently deposited by contractors in order to obtain the contract for making the railway, that they are so deposited to meet the Standing Orders, and then withdrawn as soon as the period has passed prescribed by the Act of Parliament; in your judgment, does that afford any particular guarantee as to the *bona fides*?—According to my experience it does not.

2321. That probably is the only legislative instance that occurs to you of an attempted guarantee for the *bona fides* of a company?—Yes.

2322. Then I wanted to ask you with regard to the force of the criminal law to punish the conduct of fraudulent directors and so on. I understood you to refer to the Act of Parliament which is now, I think, a part of the Consolidated Criminal Law; but it was the Trustee Act?—Yes.

2323. And there the clauses refer to and describe certain offences by "a director, manager, public officer, or member of any body, corporate, or public company"?—Yes.

2324. But I do not find any word to meet the case of promoters?—No; I am not aware that there is any word.

2325. And promoters, as I understand it, could hardly be trustees?—No, I should think not.

2326. Under this Act, a trustee is defined to mean "a trustee on some express trust, created by some deed, will, or instrument"?—Yes.

2327. Therefore the case of a trustee, so far as a promoter can be a trustee, or in a fiduciary capacity, seems hardly provided for by the Criminal Law?—I stated that the law of conspiracy would reach them as a rule.

2328. And also the law of false pretences; if a promoter deceived those with whom he dealt, he would be criminally indictable under that law?—He might be.

2329. In the case of directors, they may be fraudulently appropriating property, or for keeping fraudulent accounts. It is the 24th & 25th of Vict. c. 95, that I have been referring to, and the sections I have referred to are Sections 1, 82, 83, and so on. There is also the offence of wilfully destroying books, or keeping fraudulent accounts, or publishing fraudulent statements; and it does seem as if most of these matters were, as far as directors and real fiduciary members of the Corporation are concerned, provided for?—I think they are sufficiently provided for.

2330. Except as you say, that there is an absence of machinery to prosecute them, in the shape of a public prosecutor?—Yes.

Mr. *Ashbury*.

2331. In connection with Clause 7 of the Bill, I have some questions to ask you. Supposing a board of directors and their friend held a majority of voting power, and ruled at the annual meeting that no balance sheet should be issued, would it not be a great hardship on the minority; would it not tend to make a board reckless in their mode of conducting the business?—You know we have great experience of the law. Has such a thing

Mr. *Ashbury*—continued.

ever happened?—It is time enough to legislate for the thing when it happens. I never heard of a majority voting that there should be no balance sheet.

2332. Perhaps I misunderstood you, but I understood your answer as being that, in your opinion, it might be optional on the part of the company to present a balance sheet at all?—As it is now, I said I saw nothing to call for an alteration of the law.

2333. Whatever modification of the Acts of 1862 and 1867 may take place, would you recommend that a public prosecutor should be appointed?—That is a large question. What I said was this, that unless you do, you never can make the provisions as regards the directors, &c., efficient; that is all. I may say that I, individually, am in favour of a public prosecutor. Still it is rather a larger question than I have to consider here.

2334. As a general rule, I think a liquidator is appointed under the nomination of the first petitioner?—I do not know what the rule is everywhere; that is so in my court.

2335. Now supposing the case of a solicitor appointed by a petitioner of no substantial means or position, have you ever known or suspected collusion between those two persons as to a consideration being given to the petitioner?—Such things have happened. I have known them happen.

2336. Now if a person can enter into a trade, with 10,000 *l.* liability, as to the maximum of his loss or liability, would not this be rather dangerous to the rights of creditors, seeing that they could have no means of knowing if there was reckless overtrading on his part, or dangerous speculation?—Again, I cannot give any other answer except that of experience, that it has not been found so in continental countries, where the practice prevails. You see the creditor trusts the character of the *gérant*, who is liable for his own fortune, and he has, besides, the knowledge that the *gérant* is supported by the paid-up capital of the partners *en commandite*; he has a guarantee which is considerable, both as regards the amount paid up, and the confidence shewn in the *gérant*, by the people who pay it up. But what would be the effect in this country, of course I cannot tell. It may be that the habits of other nations control that which might prove mischievous here.

Mr. *Edward Stanhope*.

2337. Do not you think that the payment of liquidators by time is objectionable in principle?—We do not pay them only by time; we pay them on a combined scale; that is to say, they come into a class, according to the amount distributed in dividends, and then they are paid by time; that is, the rate of pay by hour is larger when the amount distributed is larger, but it is still a time payment.

2338. Does not that afford temptation to a man to prolong the period of the liquidation?—That is a disadvantage; it is an inevitable disadvantage I agree.

2339. And one of the complaints against the liquidation is no doubt the duration?—No doubt.

2340. But you do not think that there is any other principle that could be adopted that would be more satisfactory?—I am not aware of any other;

Mr. *Edward Stanhope*—continued.

other; if you apply the percentage principle, the result is total neglect of the small estates; it is not worth any liquidator's while then to undertake them at all.

2341. Could not you have some system by which you could pay him, in the case of small companies by time, and in the case of larger companies by percentage?—That does not work. You see you may have a winding-up of a bank in which the liquidator might handle even millions with little or no trouble at all, and might get a very large sum of money for doing next to nothing; on the other hand, you may have a manufacturing company, or a mine, involving the greatest care and attention, taking a great deal of time, and still the amount realized after all may be very small. It is a question which has occupied the judges from time to time, but without, I may say, its being suggested that any other system was better than that which we now adopt; and as regards delay, that does not really depend much upon the liquidator. The real causes of delay may be considered to be two: one is the difficulty of realizing the properties and getting in the debts of the companies in liquidation. Sometimes their property is wholly unsaleable, unfinished works, drowned-out mines, and things of that kind, and great delay takes place in realizing them. Then their assets consist of bad and doubtful debts which cannot be got in; very often they occasion suits. Debtors run away, and you have to find them, and compromise with them. That is one source of delay, and the other is the immense mass of litigation with the shareholders and creditors; everybody who under any pretence whatever can dispute his liability does so.

2342. Supposing that this Committee were of opinion that there should be some disclosure of the material contracts and so on in the prospectus, similar to that required in the 38th section of the Act of 1867, can you suggest any other penalty or means of enforcing it other than that in the Act, of deeming the prospectus to be fraudulent?—It might be done of course in another way; you might make the person who did not disclose it liable to relieve any shareholder of his shares.

2343. You could in that way enable each individual shareholder to recover as against the person who concealed the fact?—Yes.

2344. And you could give the company a right also?—You could also give the company a right. There are various ways, all involving pecuniary penalties of some kind or other.

2345. Those would not be open to the objection you have urged?—No, they would not; they would be direct remedies. I do not like declaring that to be fraudulent which is not really so.

Chairman.

2346. Did I rightly understand you to say that you thought the present Act, the Act of 1862, might be very much reduced in amount, that a great deal might be repealed?—I thought a great deal of the machinery might be repealed, and simplified, and extended.

2347. Would you tell me very shortly in what direction you would recommend that it should be so altered?—First of all, I see no reason why any number of persons might not make a company.

Chairman—continued.

2348. You mean less than seven?—Less than seven, or any other number. Secondly, I see no reason for the provisions against altering the memorandum of association, and all those provisions which follow upon that. I see no reason in the world why a company may not alter its conditions of partnership, the same as a private partnership can, re-registering it, so that everybody would have notice.

2349. But would you make them still corporations?—Yes, I think it is as good a way of dealing with them as any other; and I would still put something behind their names, when limited, to show that they are limited; so that everybody dealing with them should have express notice.

2350. People complain of that as a cause of evil, that the word "limited" has made people think they would not have anything more to pay; I suppose you would say that there is no possibility of remedying such a mistake as that?—I do not think an Act of Parliament could give people sense who have not got any.

2351. With regard to your recommendation as to somebody to prosecute for these deliquencies, do you think, while we are waiting to see whether we can get a public prosecutor or not, that the Solicitor to the Treasury might be entrusted with that duty?—Yes, I think no one could do it better.

Mr. *Gregory.*

2352. I suppose you would apply the liability of the Solicitor of the Treasury to prosecute to all prosecutions directed from the Bench?—I would not relieve the Solicitor of the Treasury from his responsibility, nor would I, on the other hand, impose on the judge the absolute necessity of directing a prosecution. What I suggested was that the judge should have the power of referring the papers to the officer chosen for the duty, with a view to institute a prosecution if he thought it was a case in which a prosecution would probably be successful.

2353. Referring the papers to the Solicitor to the Treasury?—Yes, if he were the officer.

2354. And that the Solicitor to the Treasury would thereupon be bound to inquire into it, and if he was advised that a prosecution would be successful to undertake it?—Yes.

2355. That would apply not only to prosecutions under this Act, but to all prosecutions, would it not?—I was only answering questions with reference to this Act.

2356. It would be difficult to confine it to prosecutions under this Act, would it not?—I should very much hesitate about the general principle, and I will tell you why; if it were confined to prosecutions for fraud under this Act I could see my way, but I think it is very doubtful indeed whether you should give the power to a civil judge to direct or recommend prosecutions in all cases that come before him, for this reason, that I am afraid, speaking from a rather lengthened experience, that there are very many contested cases of fact in which there is perjury on one side or the other, and I should not like to direct a prosecution, or even to recommend a prosecution, in every case in which perjury was committed. I would rather confine my answer, therefore, to frauds committed under the Act.

Right Hon. Sir *G. Jessel.*

5 July 1877.

Mr. *Chadwick.*

2357. One little defect which was mentioned by several witnesses was the practice of the Court of appointing liquidators; do you suggest any alteration in that?—I speak of my own practice; I never appoint a person not nominated a liquidator, I merely select one of the persons proposed by the parties.

2358. Not always the first of those?—My general rule is to give the nomination to the petitioner, unless there is some objection to that course.

2359. In regard to the closing of the accounts of the liquidators, three of the principal liquidators have given evidence before the Committee, and say that they are not enabled to comply with the requirements by stating that the collection and distribution of the assets is virtually closed; can you suggest any alteration in the law to enable liquidations to be closed without so much delay?—I think this might be done; you might allow the Court with the assent, in an insolvent case, of a meeting of creditors, or, in a solvent case, of a meeting of shareholders, to close the liquidation. Liquidations are constantly kept open for very trifling assets or for very trifling demands.

Mr. *Chadwick*—continued.

2360. You know, perhaps, the case of the Bank of London, where the liquidation might have lasted, if they had attempted to realise all the outstanding assets, 10 or 20 years; they obtained the assent of the Court to sell by auction, the whole; and would not that be a practicable remedy in hundreds of cases where the closing of the liquidation is deferred?—As a general rule, you cannot sell these things at all; they are hopelessly unsaleable. For instance, you have a case like I had last week, where a contributory is abroad, residence not known, has not paid anything, but it is believed he can pay. The official liquidator gets a letter from some friend to say, So-and-so is anxious to come home; can he make any terms? And the answer is, "What terms?" and then something is proposed, and then it is brought before me, and then we have an inquiry to see whether it is fair to accept those terms. That is a kind of thing you could not sell.

2361. Perhaps you are not aware that they are sold in hundreds of cases; in the Bank of London, for instance?—You might sell them *en bloc* to a new company to take over the assets, but as a general rule you could not take these things to auction.

Monday, 9th July 1877.

MEMBERS PRESENT:

Mr. Ashbury.	Mr. Isaac.
Mr. Alexander Brown.	Mr. Knowles.
Mr. Chadwick.	Mr. Lowe.
Mr. Orr Ewing.	Mr. Alfred Marten.
Mr. Gregory.	Mr. Shaw.
Mr. Kirkman Hodgson.	Mr. Serjeant Sherlock.
Mr. Hubbard.	Mr. Edward Stanhope.

THE RIGHT HONOURABLE ROBERT LOWE, IN THE CHAIR.

The Honourable Vice Chancellor, Sir RICHARD MALINS, called in; and Examined.

Hon. Sir *R. Malins.*

9 July 1877.

Chairman.

2362. THE whole subject of the Joint Stock Limited Liability Companies is referred to this Committee; we should be very glad to hear if there are any suggestions which you can make for the improvement of the law, or the practice of it in any way?—I think there are several points in which great improvements might be made, judging from my experience as a judge, having had a great number of winding-up cases before me, perhaps more than any judge ever before had, or I hope ever will have again; certainly I hope for myself I shall never have so many again. There are some suggestions which I would make first, upon the formation of companies with limited liability. I was a very strong advocate, when I was a Member of the House, of the limited liability. I contested it with gentlemen in the House, mercantile men, who very much opposed it, but I certainly took a very prominent part in it, and never varied in my opinion that it was a matter of great public importance, and that is my opinion still; the result of my 10 years' experience on the bench since that time. But I am bound to say that it has been greatly abused, and I will give you one case as a prominent instance. Companies are advertised with limited liability; nominally, they are so, but practically they are not. For instance, I will mention one of the first and greatest companies that came before me, Overend, Gurney & Co.; the public were induced to join that upon the representation that it was a company with limited liability; the shares were 50 *l.* shares, and issued with calls upon them to the extent of 15 *l.* only; and that was the state of things when the company started. Now this was evidently unlimited, unless they lost three times their capital, and in the winding-up of that company I succeeded in paying all the debts with interest, by means of the assets of the company, and calls to the extent of 20 *l.* a share only, making 35 *l.* out of the 50 *l.*, and of that 20 *l.* which was called under my direction, I am happy to say that 5 *l.* has already been returned to the shareholders. The principle which I adopted in the winding-up was this, and my decision in the great case that went to the House of Lords was this, that those who embarked in trade were bound to pay their creditors, and then to make the best of the assets themselves, and, therefore, though there were large assets to be got in, I thought it my duty to see that the creditors were paid, and I allowed these calls to be made, leaving the shareholders to get in their assets as they could.

Chairman—continued.

2363. And was that the question that went to the House of Lords?—Yes. The great point I had to decide was this: it was contended on one side that the shareholders having been misled, imposed upon, in fact, by the directors, were not members of the company, and therefore could have no calls made upon them to pay the debts; the view I took was that the directors were their trustees and partners, and that if there was any deception practised, they must look to the directors and partners for remedy, but that I could not exonerate them from paying their creditors; and I therefore decided that they were bound to pay their creditors. This was very much contested, and so embarrassed the winding-up, that I, having decided the point in February 1867, soon after I was Vice Chancellor, I requested that it might be taken to the House of Lords as soon as possible, because it embarrassed the winding up; and the House of Lords on that point confirmed my decision; and I acted upon that principle throughout of the creditors being paid, the shareholders getting in their assets as they could. Whatever is got in after paying expenses is returned to the shareholders, and in that way at least 5 *l.*, I know, already has been returned to them, has been returned in the case of Overend & Gurney, and I think I saw that the liquidators had obtained my sanction in chambers to the return of another pound; so that I think it is 6 *l.* now. Therefore I should suggest that if the law is to be altered, what is termed limited liability should really be so, and that the company should be obliged to call up at least half its capital, so that the shareholders should have something like protection; if the shares, for instance, were 10 *l.*, I would oblige them to call up 5 *l.*; the capital should not be more than double the amount called up, and that

Hon. Sir *R. Malins.*

9 July 1877.

Chairman—continued.

that would avoid such cases as Overend & Gurney's.

2364. You do not think shareholders would be competent to protect themselves in that manner? — They cannot. They can protect themselves by abstaining from taking shares; that is the only way.

2365. If it was found that people did object to taking them, that alone would stop it, would it not? — No, they do not object; they do not understand it, and never will. I think in that way the Legislature might protect them, because they are unlearned people who take these shares, small tradespeople, clergymen, widows, spinsters, shopkeepers, people who have no notion what the law is, and who will believe anything that is told them. That is the sort of suggestion I should make with regard to the constitution of companies. Then I am bound to say that from my long experience, extending now between 10 and 11 years, having had so many of these winding-up cases before me, in which questions of the greatest complication and difficulty have arisen, in a very large proportion of companies there has been no other object in view than that of gaining money, by the promoters and directors who make false statements to the public, inducing them to take the shares when they must know and do know that there is not the most remote chance of the shareholders ever getting anything out of it; but nevertheless promoters get their money, and in many instances directors get theirs. Therefore I should suggest two or three things with regard to promoters and directors. First of all, I would not have any company formed with a capital of less than 1,000 *l.*; it is not worthy to be a public company unless at least 1,000 *l.* is subscribed for. Now I had a company before me a fortnight ago, called Thorley's Cattle Food Company, which was to consist of 4,000 shares of 1 *s.* each; and the company was formed by seven persons signing the memorandum of association for one share each; so the capital of the company was 7 *s.*; and in deciding the case, I made the observation, which I believe was well founded, that I did not see at all, as the law now stands, why it might not have been just as well formed with a capital of seven farthings. There is no capital; seven persons become a company by simply signing the memorandum of association; and that has been a great abuse, for persons have signed their names to form companies, commonly for 1 *l.*, so that each company is formed with 7 *l.* capital. Therefore I would not allow any capital to be subscribed unless the subscribers to the memorandum signed their names, not less than 10 of them, and every one for not less than 50 *l.*

2366. What is the abuse which you think has arisen from this?—I will give you an instance. I had a case before me in which a gentlemen, well known to the public, bought an American mine; I will not pledge my recollection to the precise figure, but it was for something like 40,000 *l.*; he then had a company formed consisting of his own clerks and servants (in deciding the case I think I had to remark that it did not appear that the porter was one of them), who signed the memorandum of association, for I will not say exactly whether it was 1 *l.* a share, but certainly not more than 5 *l.* each; that company was formed, therefore, with at most 35 *l.* In a few days to this company, consisting of his clerks

Chairman—continued.

and servants, the mine in question was sold for I think 400,000 *l.*, ten times the amount which he had given for it.

2366*. What share in the abuse had the smallness of the sum subscribed by the people who signed; supposing the law had allowed them to subscribe nothing at all, what harm would that have done?—I think it is very likely that in that particular case, even if they had been obliged to subscribe 50 *l.* each, it would have made no difference, for the gentleman in question was registering a company with the prospect of selling the mine at 10 times the amount which he gave for it.

2367. How did that injure people? — The public were induced to take shares and lost every farthing.

2368. But they were not induced to take shares by the fact that these people only subscribed 5 *l.* a piece?—That is true, but any difficulty you can throw in the way of forming these bubble companies will work to the advantage of the public. In that particular case I do not think it would make any difference, but there are many cases that come to me where it would; where they sign a memorandum for 1 *l.* each, and would not sign it for 50 *l.* each.

2369. Is there any possibility of preventing people being gulled in these things unless by the people themselves looking into the subject? —No, but I think you can throw some protection around those incapable of protecting themselves. I do not say you can effectually do so, because the public are very gullible. That is the suggestion I should make with regard to the formation of companies. Then a great abuse brought before me very frequently is that without any capital whatever being subscribed, or practically you may say nothing is subscribed, they proceed to borrow money; and I have had companies before me where the capital has wholly been composed of money borrowed on debentures. Take the Canadian Oil Company, for instance; my impression is that there was not 1,000 *l.* worth of shares taken, but they immediately proceeded to borrow 60,000 *l.* on debentures, and now the debenture holders are suing the directors before me; having ineffectually tried the case before the Court of Queen's Bench for 12 days, and the jury not agreeing, they are now trying the same thing before me, in an enormous litigation about the question whether these debentures were borrowed under such circumstances as to throw on the directors the liability to pay back the money to the lenders of the money.

Mr. Serjeant *Sherlock.*

2370. They say it was a friend?—Yes.

Mr. *Gregory.*

2371. That is between the shareholders and the directors?—No; a gentleman named Back was lately before me urging that I should hear the case before the long vacation, because he is 88 years of age; he says he lent 2,000 *l.* on the debentures of this Oil Company; he says (I shall have to decide with what truth), "I lent these 2,000 *l.* upon certain representations made in a prospectus, which are wholly false; I have been defrauded of my money;" and he brings an action against Sir John Hay and Mr. Eastwick, and several other gentlemen, calling upon them jointly and severally to repay his 2,000 *l.* with interest.

Chairman.

2372. I suppose if those representations were false in the knowledge of the people making them, there is a fair chance for him of recovering his money?—If it is proved to me that the representations were, in point of fact, false, whether or not they were so in the knowledge of those making them, so that the lender was misled, it will be my duty to make a decree that they must repay the money.

2373. If on the other hand, they were not false, what is the inference you would draw from that with regard to any alteration of the law of joint stock companies; supposing it to be true, I mean, that it was the man's own folly in putting in the money?—I was going to say that I would not allow companies to borrow money, unless a certain proportion of the capital is paid up. Now, as the members of the Committee are aware, in every Railway Bill that passes, it is provided that when a certain amount of the capital is subscribed for and paid, they may borrow money. I have not had an opportunity of looking at the Act, but I believe it is usually two-thirds, but whatever the amount may be, at all events the railway companies have no power of borrowing money until a certain proportion of their capital is subscribed for and paid up. Now, inasmuch as all this has been grossly abused, and there are a class of persons who are incapable of protecting themselves, and to whom I think the Legislature owes some degree of protection, I should say I would make it a rule in joint stock companies, which it is not now, that the borrowing powers should not be exercised until at least one-third of the capital is subscribed for and actually paid, and that would restrict these operations to a very great extent indeed. It is only applying the same rule to joint stock companies of one description which is already applied to those of another.

2374. Have you any other suggestion to make?—Another suggestion I should make is that there should be some public officer whose duty it should be to settle the memorandum and articles of association; and I think the Committee will see what I mean by that, when I tell them that they may see in the public papers this morning a case before me on Saturday in which the memorandum of association contained a clause which I construed as meaning that the proprietor was authorised to bribe any director or anybody else for any fraudulent purpose. Now that is a thing which ought not to be found in the articles of association; and I went so far as to say that I should disregard it; but I think it would be well if the memorandum and articles of association were settled by some public officer, because they frequently contain provisions, and especially for the protection of directors (who are looking to their own interests only), which ought never to be found there, and would not be if some public officer were appointed to settle them.

2375. Would not such a provision placed in the articles of association amount to a fraudulent conspiracy?—It may do so; but we know, by the lamentable experience of the last few years, although these fraudulent conspiracies may be committed, how very difficult it is to get a conviction. Take a case that was before me for a long time, and it afterwards went to a court of law, the Eupion Company, which was before me for a year before anything could be done; at last the directors were indicted; there was a trial of, I do not know how many days, but I should think 10 days, and at an enormous expense to convict them, and when they had been convicted of course they appealed upon the indictment. I think there was an argument of several days before the Court of Appeal on that subject, and I have no doubt that it cost 8,000 *l.* or 10,000 *l.* to convict them, in a case where it was perfectly clear that they had been guilty of this fraudulent conspiracy.

Chairman—continued.

Hon. Sir *R. Malins.* 9 July 1877.

2376. What remedy do you propose in this case?—That of stoppage; that the articles of association being submitted to the inspection of a proper public officer shall not contain these statements.

2377. Is there any public officer whose duty it is now to superintend articles of association?—I think not.

2378. Do you think it would be desirable to have such an one?—I think most desirable.

2379. So as to make the public or the Government in some degree responsible for the articles of association of every company?—I would not make them answerable, but I think such an officer would take care that there were not clauses inserted for the purpose of protecting fraudulent and underhand dealings of the directors. Many cases come before me which occupy hours to discuss whether a director is, or is not, bound to have a qualification; I should leave no doubt on that subject.

2380. Do you think it would be desirable to have an officer to advise people generally in these matters?—No, I do not say that; I do not encroach on the general doctrines of political economy; people are bound to take care of themselves; but I think there are many things which the Legislature may very well do for them, and not allow documents of a fraudulent character to be issued. Then another great evil, perhaps one of the greatest, leading to more frauds than anything else, is that when companies are advertised by prospectuses, and a certain number of shares are applied for, the directors commence business with an amount of capital which they must know perfectly well never can carry them through; and, therefore, I would certainly have some law of this kind, that directors who commenced business without a certain defined proportion of the capital being subscribed should be liable for the debts of the company. I will give a remarkable instance (I refreshed my memory this morning by reading the judgment), the case of the Universal Non-Tariff Insurance Company; I believe the title means that they have no tariff of insurance, but they will impose a particular price on every individual transaction, and get as much as they can; but the intention is to lead the public to believe that they will take it at very low rates. The case is to be found in the 19th Equity Reports; and as an instance of the transactions of human life it is worth any gentleman's while to read the facts of the case. I am sorry to say that at the head of this company was a very distinguished naval or military officer, still holding high appointments under the Crown. The transactions were these: they advertised their company, which was for insuring against fire, with a capital of 250,000 *l.*, to consist of 100,000 shares at 2 *l.* 10 *s.* each. It was in evidence before me that no more than 1,119 shares out of the 100,000 were ever subscribed; with those 1,119 shares, that is less than 3,000 *l.* capital, they commenced the business of insurers against fire, when they had

Hon. Sir *R. Malins.*

9 July 1877.

Chairman—continued.

had issued a prospectus saying that they wanted 250,000 *l.* An unfortunate mercantile firm at Glasgow, believing these statements (and you would perhaps say that they ought not to have believed them without investigation, and I should say so too) effected a policy with them for 1,500 *l.*; three months afterwards a fire occurred; the company would never have resisted the payment, because there was no ground for resistance, but they had no money, for it was proved to me that they never had the command of 300 *l.*; so that when this fire occurred, instead of paying, as they would have done if they had been in cash, they took a most frivolous and vexatious objection, that the policy was not binding because one of the buildings was described as slate-roofed, whereas it had a felt roof; it was not the building that was burnt, and it never was touched by the fire; but this was a sufficient excuse to delay the day of payment. Then the assured presented a petition before me to wind up the company, and Mr. Gregory and Mr. Marten well know that it is the rule in the Court of Chancery that we do not make an order to wind up upon a disputed debt; the course is that the debt must be established before the order to wind up can be made. In this case I directed that an action should be brought on the policy; it was brought and went to trial, and a verdict was taken by consent, subject to a special case, and the judge obliged them to pay 1,000 *l.* into court. The matter was then brought before me, and it was then proved that they had never had the command of 300 *l.* at any one time after paying expenses; nevertheless they were prepared to accept policies to any amount. This firm having had the fire, could not get the money except the 1,000 *l.* which had been paid into court; I ordered that to be paid to them.

2381. The assured lost nothing in that case, did they?—They never got the whole of their money.

2382. Why not?—Because there was no funds.

2383. Cannot the funds be called up?—There were 1,119 shares only issued, and not 300 of them could pay up.

2384. They had paid all that the company were bound to pay, as I understand you?—Yes, you could only call 2 *l.* 10*s.* upon those who had taken shares, and there were but 1,119, and of those not one-half could pay; and yet here were gentlemen who occupy some position in life, who thought it decent to resist that demand; I said that as gentlemen they were bound to pay, whether they could get the money from the shareholders or not; but they did not feel that.

2385. Do you think that any law that we could possibly pass could prevent people like this Glasgow firm from ruining themselves, who went into a contract without the slightest inquiry?—I think if you had had the law which I suggest, namely, that directors who go into business without a certain proportion of the capital being subscribed for should be liable for the debts, they would have had a remedy. They could not then have commenced business unless one-third, say of the 250,000 *l.*, had been subscribed.

2386. They could not have commenced business without some people being fools enough to rely upon them?—In all matters of equity we consider that you are entitled to rely upon the positive representations made by another; if he says that such and such a thing is true you are

Chairman—continued.

entitled to believe him, and act upon the truth of his statement. Now, if my suggestion had been carried out, that the directors who commenced business without a certain proportion of the capital being paid up should be liable for the debts, the gallant officer and the other gentlemen sitting on the Board must, out of their own pockets, have paid that policy; and it would be a great restriction upon those bubble and cheating companies.

2387. Do you think that that would have any great effect?—I do.

2388. Do you think that anything can save people who will not take the trouble to inquire for themselves?—If they were all as well informed as Mr. Lowe, or had been Chancellors of the Exchequer, it would be different; but a great many of them are as ignorant as gate-posts.

2389. Do you think we can save people from their own folly?—I think we can put some protection before them. You may say that a man should not walk into the river; but he may be musing whether Mr. Lowe can pay off the National Debt, and he may walk into the river; and, if you put a fence there, you protect him. I think that provision which I have just suggested would be a very valuable addition to the law. I was going to give you another instance. I had a case brought on before me, and the pleadings filled a book of that thickness (*describing it*); it was an American Telegraph Company; and the facts proved before me were, that this company, composed, so far as I could see, of gentlemen of respectability in life, had issued the prospectus in perfectly good faith; they proposed a very large amount of capital, and a very small amount was applied for; it is perfectly clear that it was their duty immediately they found that, to say, "The capital has not been applied for, and, therefore, we return the money subscribed." When they made the application for shares it was to be accompanied by a deposit; and their duty was, in my opinion, immediately to return the money received to those who had paid it, because the thing was abortive, and the application for shares was so small that the thing could not go on; but the course they actually adopted was, immediately to get their housekeepers, their housemaids, their footmen, and all kinds of servants to apply for shares, and, in this way, it was made out that the shares were subscribed for. This came before me, upon an application by a shareholder to make the directors liable for what he had paid; and I heard it for three or four days, and I was so clear upon it that I was prepared to make a decree against those directors; but they prudently, for their own interest, compromised with the shareholders, and it was taken out of my hands.

2390. The law was sufficient, then, to protect the people, in that case?—After a long and expensive litigation, in which, if they succeed, they find, after all, that they have lost by it. What I propose would have prevented that. In that very case, again, if this had been the law, those gentlemen would have been liable for the debts, in having commenced business with less than one-third (or whatever the Legislature might think proper to fix as the limit) of the capital having been subscribed for. I think those are the principal alterations that I should suggest; but if any gentleman has a desire to have my opinion on any particular question, I should be most happy to give it.

2391. You

Chairman—continued.

2391. You have confined yourself hitherto to speaking on the formation of companies. On the general question, I should like to ask you whether you consider that, when all these things have been done, you will have dispensed with the necessity of inquiry?—No, I do not think that at all.

2392. Then, have you not done something towards lulling people to sleep by pretending to make provisions for their security which will not secure them?—To a great extent, it will secure them; no legislation can make those absolutely secure who are imprudent, and who will do nothing to secure themselves; but you can do a great deal to stop the formation of these companies as to which, in a great many instances which come before me, the parties forming the companies must have known that it was impossible that there could ever be any success. Take the case which many members of the Committee have heard of, the Phosphate Sewage Company against Hartmont, which occupied 16 days in the hearing before me. I heard 11 or 12 sets of counsel for different defendants in that case; and what was it that these men all combined to palm off on the public? An island called Alto Velo, which they said abounded with a sort of mineral, a most useful manure, and which was so rich that it was a source of wealth to whoever touched it. It was proved before me, to my complete satisfaction (it is to be seen in the July number of the Law Report), that every one of those men, the active promoters of that company, knew that the thing could not be a success; and they were getting the public to give them about 80,000 *l.* for a thing that they knew was not worth 80,000 farthings. The result was that I made a decree against Hartmont and several of the members to pay back the whole of the money. That was confirmed on appeal, but now they cannot get a farthing from Hartmont, the money which he has made having somehow disappeared; and that is the only remedy which the shareholders have.

2393. With reference to this subject, will you give us your opinion as to the policy of the 38th section of the Act of 1867?—I think it is perfectly right. If there is any doubt about its meaning, it ought to be made clear.

2394. But you approve of the principle?—Yes; I think it most important that all contracts between the promoters and those interested in the company should be known to those who take shares in it.

2395. It declares that certain acts are to be fraudulent?—Yes.

2396. Are those such acts as would be fraudulent in the view of a court of equity?—I do not think they would generally. The 38th section of the Act of 1867 says: "Every prospectus of a company, and every notice inviting persons to subscribe for shares in any joint stock company, shall specify the dates and the names of the parties to any contract entered into by the company, or the promoters, directors, or trustees thereof before the issue of such prospectus or notice, whether subject to adoption by the directors, or the company, or otherwise; and any prospectus or notice not specifying the same shall be deemed fraudulent on the part of the promoters, directors, and officers of the company knowingly issuing the same as regards any person taking shares in the company on the faith of such prospectus, unless he shall have had notice

Chairman—continued.

of such contract." Those are acts which, in the absence of the enactment, would not be fraudulent.

2397. Then why is it right to make them fraudulent?—Because now the Legislature has said so, and this is an instance of what I have said, that the Legislature should afford some protection to shareholders; and this has been a very great protection.

2398. Is it right for the Legislature to declare things to be fraudulent that are not fraudulent?—When the Legislature says that a certain thing shall be done, and it is not done, the noncompliance with that may be as bad as fraud.

2399. It may be disobedience but not fraud?—Yes, fraud, because you come to the conclusion that there is a sinister object in keeping them back.

2400. But without that enactment you would not come to that conclusion?—No, I should not, because a man may enter into an arrangement which he is not bound to disclose. The Legislature having said that it is to be disclosed, if, for his own purposes, he keeps it back, I should say that indicates fraud.

2401. What is the effect of its being declared to be fraudulent?—To make the men who keep the document back liable for the consequences. That is the subject of the decision in Twycross *v.* Grant, where they have been fixed with a liability to repay the shareholders who took shares, because the disclosure which ought to have been made under this section was not made, and, therefore, the keeping it back was a fraud.

2402. I do not pretend to go into Twycross *v.* Grant, but supposing a director or directors make a contract with people ostensibly for the work and labour that is required for making the thing, which is the object of the company, a railway for instance, or whatever it is, and they include in it certain bribes paid to certain persons for promoting the company, is not that a fraud?—Certainly.

2403. Then it did not require that Act to make it so?—Yes, it is true that paying bribes to promoters would always be fraudulent.

2404. If they were put down as part of the expenses?—Yes. I had the winding-up of the Lisbon Tramways Company before my own court for more than a year, and it was resisted on every frivolous excuse. I saw very well all the time that the whole thing was founded on fraud. The official liquidator came to me on several occasions for authority to sell all the plant that was left at Lisbon, and he was a highly respectable and experienced man, and had sent an agent out, and I do not remember what the amount of the capital was, but it was something large, it was by hundreds of thousands.

2405. I think the contract was 309,000 *l.*?—I think it was. All that could be found was plant worth about 9,000 *l.*; that was all that could be found to distribute among the shareholders.

2406. That case was tried under the section?—The action at law was under the 38th section.

2407. Supposing it had been tried as a fraud at equity or common law, would it not have been a much clearer case?—If it had been before me, or any other judge in equity, it would have been on precisely the same ground.

2408. Only you would not have had the trouble of construing that section?—With us the proceedings are much more simple.

2409. Could

Hon. Sir *R. Malins.*

9 July 1877.

Chairman—continued.

2409. Could any judge in a court of equity doubt that it was a fraud?—I am not in a position to say that no judge could; because when I find in the Court of of Appeal that the Lord Chief Justice of England and Lord Justice Brett think one way, and the Lord Chief Baron of the Exchequer and Lord Justice Bramwell think another way, I am not entitled to say that there is no doubt.

2410. That is under the statute, is it not?—Yes; if you ask me for my indvidual opinion I should say there was no doubt.

2411. But supposing the statute had never been passed, that there had been no such statute, would the case not have been equally a case for the interference of the Court of Equity?—Certainly; I consider that bribing a promoter of a company, anything in the way of bribing and concealing it under another name, is fraud in itself, and does not want an Act of Parliament.

2412. The whole effect of the Act of Parliament, then, has been to embarrass, and make difficulties in the way of prosecuting these people?—I could not say that I think many of these cases brought under the statute would have been fraud before; but there are certain things made fraud there which would not have been fraud before.

2413. But in that celebrated case there was fraud without the section?—There was, in my opinion.

Mr. *Edward Stanhope.*

2414. Supposing in the working of this 38th section there was an accidental omission of the name or the date of a contract, do you think that then the law ought to say that that man should be deemed guilty of fraud?—No, not if it is merely accidental.

2415. But the 38th section says so, whether it is accidental or not; that the mere fact of omission is enough?—I by no means set up the 38th section as perfect; on the contrary, I think it may be materially amended.

2416. May I ask whether that point would be a desirable one in which to amend it?—In all the courts of equity we are always inclined to make allowances for innocent mistakes; a great many people say, "these are innocent mistakes" when they are guilty; that is very common; but if the Court is satisfied that it is an innocent mistake, it is very slow to make a decree against the man.

2417. Does not that show the advantage of leaving it to the ordinary rules of the courts of equity, and not defining it by an Act of Parliament?—The advantage of this section is its requiring people to make certain things known that were not required to be known before; and there is a great deal of difference of opinion among the judges on this subject, and the decisions upon it are conflicting.

2418. Then one amendment that you would suggest to the 38th clause would be to limit it to cases where there is real fraud and not apply it to a mere accidental omission of these particulars?—If you once say that an accident is to exclude, it will be so convenient to set up accidents, that it would be very dangerous to say that. You have not had the opportunity I have of knowing the devices that are had recourse to by this class of people, and I hope you will not.

Mr. *Edward Stanhope*—continued.

2419. Now one suggestion that you have made is that a certain defined proportion of the capital should be paid up before the company start business?—Yes.

2420. Would you have the same proportion in the case of all classes of companies?—It would be very difficult to draw a distinction.

2421. Is it not the fact that in some cases, as for instance insurance companies, it would be desirable not to have too great a proportion of the capital paid up; and in others it would be desirable to have a very large proportion paid up?—Yes, it may be so. Bankers, you know, of good credit, require very little capital, because the deposits of the public supply them with capital. There may be a good deal in your suggestion that there may be a difference between an insurance company, or a banking company, and ordinary trading companies.

2422. If you laid down any fixed proportion, might it not operate hardly against some companies, or on the other hand be useless?—I do not think it would operate hardly at all; there is no case of a *bonâ fide* company I have ever seen in which they cannot obtain a certain proportion of the capital paid up; and if they cannot, the best thing for all parties is that it should not go on, because if they go on without capital it is sure to end in disaster.

2423. What that proportion should be you suggested just now?—I suggested that it should not be less than one-third. You have it, you know, in the case of railway companies.

2424. I am coming to that in a moment; how are you to prove that one-third has been paid up, would it be done by a declaration?—Yes, just as it is done in the case of the railways.

2425. You remember, I daresay, the case of the London, Chatham & Dover Railway Company?—Yes, I was counsel at the bar in every stage of that case.

2426. They borrowed as much money as they liked, although the work was not done and the money not paid up?—Yes, a very improper practice.

2427. Therefore the provision which you suggest has not acted well in the case of railways?—Not in all cases.

2428. But it does not guarantee the public against fraud?—No; no legislation can absolutely protect against fraud. When the gain of money is in view, men are so ingenious that you cannot absolutely protect people against fraud; but you may do a great deal to prevent it.

2429. You were suggesting that the articles of association should be looked over by some public officer?—Yes.

2430. What sort of person have you in mind; some one connected with a Government Department, or with the Court of Chancery?—He should be an officer of experience in this matter; a barrister of some standing and experience who would see that there were not clauses put in which were evidently meant to screen the directors.

2431. Do you think it should be under the direction of the Court of Chancery?—No, I think not; I think it should be under the registrar of joint-stock companies, who should have an officer to perform this duty before the deed is registered. Upon seven persons having signed the deed, the memorandum is taken to the joint-stock companies registrar, whose duty it is to register it; now before it is registered I would have the draft

Mr. *Edward Stanhope*—continued.

draft of the proposed memorandum of association sent to this officer to have his approval.

2432. I understand you to suggest that his power should be limited to striking out certain objectionable provisions?—Any provision which he thinks opposed to straightforward dealing and honesty, he should have the power of striking out. You might then refer it to the Court having charge of such matters, which is at present the Chancery division, to say whether it should be so or not.

2433. You would make the Court of Chancery a sort of appeal court from the decision of this officer?—Yes; there is a certain clause, we will suppose, in the articles of association, and this officer says it ought not to be there, and the promoters say it ought; I do not want to make him absolute; let there be one of the judges to whom it may be referred in chambers. Take what happens in other cases, ladies and gentlemen who are wards of the court, marry; and those who are not wards of the court marry, and they enter into settlements and buy property; there is a question, suppose, whether there should be a certain stipulation as to title; that goes to the conveyancing counsel of the court, and if there is any difference it is brought before me or some other judge in chambers, and the whole thing is settled in a few minutes.

2434. That applies only to parties interested in the particular settlement, and in the other case you are going to ask people to lend money on the faith of this security?—No; the parties interested would be the promoters on the one side, and a public officer discharging his duty on the other. I have a case of a gentleman and lady of large fortune marrying; there is immense difficulty as to what is to become of the property if there are no children; that goes to the conveyancing counsel; the parties are not satisfied, and they bring it before the judge, and it is in a short time settled.

2435. Do you not think that the effect of adopting your suggestion would be that the public would say, "The Vice Chancellor has seen these articles of association, and we may safely lend our money?—No, I think not.

2436. But when they have lent their money on the assurance of certain private individuals, Members of Parliament, and so on, that things were all right, would they not be more likely on the assurance of the Vice Chancellor to do so?—Possibly; but I do not attach so much importance to that suggestion as to most of the others that I have made.

2437. Has your attention been called to the Friendly Societies registered?—I have had a great many of them before me.

2438. In that case one of the difficulties has been that the public always believed that the Registrar certified that the rules of the Friendly Societies were substantially good for their protection?—Yes; a very well known man for many years certified them, Mr. Tidd Pratt.

2439. But Mr. Tidd Pratt's certificate only meant really that they were in conformity with the law?—Yes.

2440. And the public were deceived, and led into all sorts of things?—Yes, they were. I had a case before me in which the rules were certified by Mr. Tidd Pratt, and it was contended on one side that they were binding and nothing could be said against it; but I did not think so.

Mr. *Ashbury.*

2441. Seven persons are now required to sign the memorandum of association, and you would suggest 10, as I understand you?—Yes.

2442. Do you think that would be a greater safeguard?—I do not think it is of great importance. I should suggest 10 to subscribe for not less than 50 *l.* each. I do not know what the magic of the number of seven is, except that there are often six members of a banking firm.

Chairman.

2443. Seven golden candlesticks?—Perhaps, that was it.

Mr. *Ashbury.*

2444. Do you see any objection to the promoters also, on signing the memorandum of association, subscribing in full?—I see no objection to that, but then that implies that there would be no other shareholders unless by transfer; whereas the memorandum of association is only signed by a sufficient number to constitute the company, and then the shares are to be appropriated, and the public invited to take them. I have seen a company in which the whole capital was taken by the persons who signed the memorandum of association.

2445. My question was this: assuming the case of a company with perhaps a considerable number of shareholders and 9 or 10 promoters, how would it do to require that they should pay up at once in full, in lieu of the 50 per cent., which the ordinary shareholders would do?—There would be no objection to that; the more money you have the better, and the sooner you have it the better.

2446. Now, of course, a great difficulty in connection with the board of directors, on the formation of a company, is the settlement of the share list and the allotment of the shares?—Yes.

2447. Can you make any suggestion as to any step which the directors should take to prevent men of straw, men of no means, getting on the share list?—The only thing is that which is generally adopted, that every application for a share must be accompanied by a deposit upon application, and a further payment upon allotment. That, I think, is the only protection you can have, as in the case of foreign loans.

2448. Do you not think that, in the promotion of a company, it would be a great assistance to the soundness of the company to make the allotment a very considerable proportion of the capital; in some cases it is nominal, a pound per share, for instance?—I think it ought to be a substantial part. I have pointed out the evil which arose in Overend and Gurney, by calling it limited liability, when it was unlimited, practically.

2449. Now, in connection with your particular court, have you known any companies in liquidation by reason of the directors having acted *ultra vires* of their powers?—No, no case of that kind occurs to me; I do not think I have had such a case.

2450. Now, in the case of a company with a capital, we will say of 100,000 *l.*, and say 50,000 *l.* paid up, what amount of debentures would you suggest they should issue in that case, or have the power to issue?—I think they ought not to have the power of issuing debentures to the extent of more than one-third, or at the utmost one-half;

Hon. Sir *R. Malins.*

9 July 1877.

Mr. *Ashbury*—continued.

one-half; whereas I have had companies before me that have had no capital but debenture capital.

2451. But assuming 50,000 *l.* paid up and 50,000 *l.* unpaid, would you propose that they should at once issue debentures to the extent of one-third of the whole before they had paid up the other 50,000 *l.*?—No, I would not have the debenture issued to the extent of more than one-third, or at the most one-half, of the capital actually at the time paid up. They have no right to form companies unless they can find capital to work them.

2452. In what manner do you appoint the liquidator in your court, on the first application of the petitioner?—It depends upon a variety of circumstances. The rule with us is this, when a petition to wind up is presented and comes on in court, they are either opposed or unopposed. Sometimes they are opposed with a vigour that is astonishing (war is nothing to it), and sometimes it goes by consent, and then it is suggested that A B and C D shall be liquidators, and with the consent of the company we appoint A B and C D. I had a case before on Friday occupying two hours in which that very course had been taken; I found that on the order to wind up this company, the Cape Breton Company, the company appeared and consented to two gentlemen being appointed liquidators. The petitioner says, "I want an order to wind up"; the company says, "We do not object to it," and the petitioner says, "I want A B and C D to be liquidators." On this very case there is a motion before me to discharge those liquidators and appoint others. I have had several such. Then, if there is no opposition in court and the company do not appear, the order to wind up is made; if it says nothing about a liquidator, then the first duty in chambers is to appoint these liquidators; and in the room in which I sit when this case is called on, the door is opened and in rush the applicants like those who run to take their place in the pit of a theatre; then come in one set to propose one man, and another set another; and then I have a long contest as to who is the fittest man to be appointed. I am obliged to exercise my own judgment as to who is the fittest man, and very often I take a man not proposed by any of them.

2453. Take the case of an official liquidator appointed at the instigation or suggestion of the first petitioner, and that subsequently the shareholders generally had reason to be dissatisfied with the conduct of that liquidator and applied to the Court, would you in such a case feel disposed to supersede him?—I should in that, as in any other case, hear the parties, and if they established a case of misconduct or want of capacity, or anything whatever to show that he is not a proper person, I should remove him and put another in his stead. We do these things as agreeably as we can, and, therefore, when I find a man had better not be a liquidator, I invite him to resign; it generally takes that form; but if it is resisted and I find it proper I remove him, and substitute somebody else.

2454. Do you find that there are many cases or any cases before you of liquidation, where the companies are perfectly sound, and the assets amply sufficient to pay 20 *s.* in the pound?—I have never seen such a case as that; I never have had such a case of winding up.

Mr. *Orr Ewing.*

2455. And never heard of it?—No; I had a case only last summer of a colliery company called the Wedgwood Colliery Company to wind up; I asked them, "Are you working the colliery?" They said, "Yes, and we are getting 200 or 300 tons a day." "Then why are you in difficulties?" "Because the price of coal is low." When I see the elements of prosperity in better times, I give every facility for re-construction, and keep them on as far as I can.

Mr. *Ashbury.*

2456. Take the case of a manufacturing company under the Limited Liability Act perfectly solvent, but paying no dividends; the shareholders become impatient after waiting four or five years and say, "We are tired of this company making no dividends, and we will wind it up;" in such an event would you appoint say, the managing director of the company, or one of the directors of the company, if that is the desire of the great majority of the shareholders?—The course that it usually takes is, that in winding up, or in any other business, the person who has the carriage of the order, the petitioner in the winding up, has the first proposal, and the course of the Court is, that if he proposes a proper person, and nobody better is proposed, he has the *primâ facie* right. Therefore, if a man is proposed, and I am satisfied on the evidence (and I know a great deal of these men) that the proper person is proposed, I take the nominee of the person having the carriage of the order; it is the usual rule.

2457. But suppose such nominee to be perfectly respectable and competent in all respects, but that the shareholders generally desired to appoint one of their own body as the liquidator, what would you do in that event?—Then I should look to the creditors, and see what they say. The creditors are the persons to be primarily attended to; I very seldom take the shareholders' nominee if the creditors object.

2458. My remarks had reference to the case of a company perfectly solvent, and able to pay 20 *s.* in the pound?—I should say that the creditors must have the carriage of the order till they are paid, and then I would take it out of their hands and put it into the hands of the shareholders; as in the case of a deceased person's estate you give the carriage to the creditors, and then, when they are paid, to the family.

2459. For the greater safety of the general public, do you think there would be any substantial and material advantage in there being a public prosecutor appointed?—That is a very difficult question; but when I was a member of the House I heard the question very much discussed, and I have heard it discussed very often afterwards, but it is a question upon which I have never been able to make up my mind. I think on the whole I should decide against it if I had to decide at all.

2460. In the event of some person being appointed specially to supervise the memorandum of association in its early inception, why should not that gentleman take the part, at the same time, of a public prosecutor; supposing ultimately the registrar, or some other person in connection with the registration of joint-stock companies, should be appointed to inspect the memorandums of association as submitted, why not let that person (who I suppose would be a Queen's Counsel) act at the same time as public prosecutor,

Mr. *Ashbury*—continued.

prosecutor, to fill up his time as it were?—No; the two should be quite independent and different, in my opinion.

2461. Now as a general rule the balance-sheets of limited liability companies are made every 12 months, and, in exceptional cases, half yearly; in such a case are you of opinion that the balance-sheet should be sent to every shareholder?—I think it is done now.

2462. You would think it an imprudent power to give to the board of directors, the power to suspend sending the balance-sheet to their shareholders?—I think the balance-sheet ought to be sent to every shareholder, the same as in the case of railways. They shew what their receipts have been, and what they have had to pay, and what their dividend is; and I think it should be the same with these companies.

2463. In many companies where the directors are large holders, the annual meetings are attended by comparatively few shareholders; should it not be made a *sine qua non* that the short-hand writer's transcript should be sent out in pamphlet form to every shareholder?—That would be expensive and troublesome; and those who will not take the trouble to attend the meetings will not generally take the trouble to read the reports. A man says: "I have put 1,000 *l.* into the concern, if it pays well; if it does not I shall lose the money."

2464. When a case is referred to a Queen's Counsel to receive evidence and settle the case on points of law, would you give any power of appeal in such a case?—We have no such practice in the Court of Chancery as that to which you allude.

2465. Now, on the 38th section of the Act of 1867, how would it do for the prospectus to set forth in future the list of liabilities and engagements, giving the gross results, but with an appendix giving a copy of each document in detail. The reason of the suggestion is that if you come to register a mass of documents and contracts in connection with the prospectus, or the memorandum of association, you can scarcely expect the general public to wade through them to see the bearing of complicated documents?—I do not think, as a general rule, it is any use to send complicated documents to shareholders; I think it is sufficient to show the balance-sheet which is submitted to the shareholders, and any statement which the directors may think fit to accompany it.

2466. Now assuming a valid contract on the part of a limited company, and that it subsequently transpired that the vendor had entered into a secret agreement to pay a large sum to the *intermédiaire*, or agent, this I take it would invalidate the agreement, or contract?—Undoubtedly.

2467. Referring again to the 38th section, supposing that the Board of Directors took legal opinions as to what documents they should produce, and acted thereon, would any Court hold the directors responsible for suppressing documents which were deemed immaterial?—I think the Court would be bound to judge of the conduct of the directors by seeing what they have done, and what they ought to have done, even although they may be advised by counsel. It is a settled rule with us, if counsel gives you erroneous advice you are still bound to do what is right.

Mr. *Knowles*.

Hon. Sir *R. Malins*.

9 July 1877.

2468. You stated that you had never known a company wound up that paid 20 *s.* in the pound?—Without calls upon its shareholders, that is to say—

2469. They have paid 20 *s.* to the creditors, but not returned 20 *s.* to the shareholders?—I have not known such cases.

2470. Overend and Gurney's paid 20 *s.* to the creditors?—They paid 20 *s.* in the pound, with interest, to their creditors; but to their shareholders who paid 15 *l.* originally upon the issuing of the shares, and 20 *l.* which I called; that is 35 *l.* altogether, they have at present returned 5 *l.* or 6 *l.* I am sure such a company as you refer to does not come to be wound up; they can manage their affairs for themselves when they are solvent.

2471. When you stated that it is not desirable to pay up a very large amount of the shares in the case of insurance companies and banks, is it not desirable that they should have a considerable amount called up, and in readiness for case of need?—Yes.

2472. Is it your opinion that the public when they take shares in these companies expect to be protected by Act of Parliament?—I think every man looks for some protection from the law.

2473. And, from the very fact of the limited liability companies being in force, the public would naturally expect that they would be protected?—Yes; the principle of the Limited Liability Acts which I urged when a Member of the House was, that a man may enter into a contract with another, if he is willing, limiting the liability. I may sell you, and the honourable Member next you, something for 10,000 *l.*, and if I make a contract that neither of you shall be liable to me for more than 5,000 *l.*, and one of you can pay me and the other cannot, what have I to complain of.

2474. Why should not one person from a company, if he thinks proper, in himself, by registering?—If he wants to trade on his own account, let him do it as John Smith.

2475. Supposing he gives proper notice: "Here I have a concern, and I will give notice to the creditors, or the people I deal with; I will register it and have 'limited' on my bill heads and office;" why should he not?—I think if he trades as an individual, he must be liable for everything; it is only when he forms a member of a company that he can be protected; he may enter into a particular contract; I may enter into a contract with you, and you may agree that whatever may happen I shall only pay you a given sum; but I cannot contract with the whole world, that whatever trade I carry on I shall be only liable to pay a given sum.

2476. Where is the difference between seven men and one man being liable for a certain amount?—The Legislature has said that the limited liability principle is for the benefit of companies, not of individuals; you see there is no such thing as a limited liability for individuals; say, either six bankers or six members of a mercantile firm, carry on business in partnership, there is no such thing as limited liability with regard to them; every one of them must be liable for everything he possesses in the world, unless they register themselves under the Limited Liability Act.

2477. But in case they were to register when there are only one or two, the people who trust

Hon. Sir *R. Malins.*

9 July 1877.

Mr. *Knowles*—continued.

them would know, just as well as they know if there are seven, that the liability was limited?—That is for the Legislature to fix; that is not my duty. The Legislature has fixed seven as the minimum number to form a company, and I think it is small enough. I should never suggest any alteration in that respect, and I should never recommend that anybody should be able to trade in his own name, and fix an amount beyond which he has not to pay; because the public have no means of knowing what he is about; whereas you can know something about a company.

2478. But suppose he were registered with his individual name?—I would not allow him to be registered with a limited liability.

2479. You stated that you would not allow a company to be formed under a limited liability with a less sum than 1,000 *l.*, of which you would have half at least paid up?—Yes.

2480. Although it might assume to be paid up, what guarantee would there be that it was?—You can find out by the banker's book, for instance. I have had an action going on before me this morning, in which the plaintiff accuses the defendant of having induced him to buy shares in a company by fraud; I have not heard one side out at present; but the question there is what was paid; and in order for me to know that, they hand up what I consider a very instructive thing, the pass-book, and I see from the pass-book that while they said they had money they had none.

2481. We will suppose 10 men, virtually men of straw, who manage to muster up 50 *l.* a-piece, to get up a company, and they succeed in doing that, and they get it registered; there is nothing to prevent their getting it out of the bank the day following, is there?—If they are guilty of fraudulent conduct, the Court will deal with them; only you cannot by any legislation provide against all the tricks men will adopt; you can do a great deal towards it.

2482. In the case of people becoming directors, and their only qualification having been given them, without their paying any money, how would you deal with those directors?—As I deal with them now, put them on the list for the number of shares which they ought to have taken. You will see a case in the "Times" newspaper, and I believe in all the newspapers this morning, in which I put two fraudulent directors on the list for the number of shares they ought to have held. (It was argued before me that they were not bound to take any, because the seller of the property had given them 50 *l.* fully paid-up shares.) That is the only way to deal with them. We catch a great many in that way; but a great many, I am sorry to say, escape us; I do my best to catch them. In this great town there are a great number of military and naval men who have a great deal of time on their hands and very little money, and, for the sake of the occupation, they allow themselves to be led into these things. I do not accuse them of fraud. In this case of Hartmont, to which I have already referred, there was an admiral, a colonel, a major, and several others. Though my decree was of a most severe character against the real promoters of the concern, Hartmont and Lawson, yet with regard to these men just referred to, who were misled by those more cunning than themselves, I only made them pay the costs.

Mr. *Knowles*—continued.

2483. Whatever the articles may specify, do you think that the public generally before taking shares ever see the articles or refer to them?—Never, or scarcely ever.

2484. And a great many people lend on debentures in the same way?—They see certain names, and they trust to them; for instance, they see Mr. Knowles' name, and they say, "His name would not be there unless it was all right;" then it turns out that these gentlemen who have given their names have taken no trouble to ascertain whether it is a good concern or a bad one; whether there is any prospect of success or not; and you would be astonished to find that men of position and station in the world will allow their names to be prostituted in the way they are. I have had before me a case where a nobleman well known had taken shares to the amount of 1,000 *l.* in a company, and he admitted, "I did not pay anything, it was given me by a promoter." A paper was handed up to me with this: "Lord So-and-So will pay it back;" I made an order by consent for him to pay 1,000 *l.* within such a time, with interest.

2485. Is it not the fact that a great many people take shares with the idea of only speculating with them after paying one instalment?—Yes; there are two classes; there are those who take shares for the purpose of *bonâ fide* going on with the company for what it professes to be; and there are those who take shares for merely stock-jobbing for the premiums; and that includes a large number of the directors.

Mr. *Shaw.*

2486. Do you think it would be wise to restrict the issue of debentures to those companies that have real property?—No, I would not say so.

2487. Why should a trading company that has no real property, only floating capital, issue debentures?—Property that is not real property is very often just as valuable.

2488. It is not tangible?—It depends upon what it is. You may have a lot of money invested in the consols, or foreign securities, or railway debentures, which may be just as marketable and as valuable as land.

2489. Would you have them pledged and hypothecated for the debentures?—Yes, they are; and I think I omitted to say that the form of the debentures, in my opinion, requires alteration; because as debentures are now issued this happens: I had a great case of a South American Company before me a year ago, a very large company; when the stoppage took place the debenture-holders came and took every farthing they had. That requires some alteration. That is provided for in the debenture; it is done in this form, they assign all the property and effects of the company; that is held by our Court to include everything; so that the consequence is, that the debenture holders come and sweep away everything; and the common creditor who has delivered goods does not get a penny.

2490. You would restrict the debentures in some way?—I should say that the debentures ought to be restricted to property of a more permanent character, perhaps, not to apply to the balance at the bankers, for instance; but whatever the balance at the bankers is now, the debenture holder sweeps it all away. In this very case a man had consigned goods from South America; he was imprudent in doing that; he sends

Mr. *Shaw*—continued.

sends a cargo of goods; they arrive in London not paid; then comes the question who is to have the money; the debenture holders take everything, and the consignor of these goods does not get a penny.

2491. You are aware that it is becoming more common to turn private firms into these companies?—Yes; not so common as it was, because, in my opinion, the formation of joint stock companies has considerably diminished in number. I have not seen the returns lately.

2492. It is getting into a natural state, I suppose?—I think experience goes to this, that a private company, we will say A B C and Company, have been carrying on business very successfully as individuals; a company is formed, and directly it becomes a company it is carried on with loss and ruin; and one of the reasons is that, unfortunately, in order to form these companies they are obliged to have recourse to these finance agents; they are obliged to have these financial operators, and they exact such enormous sums for forming the companies, and there is such a want of honesty in five cases out of six in the whole proceeding, that it necessarily must go to ruin. The Lisbon Tramways Company is an instance.

2493. The question I put referred more to private firms turning into companies; now in cases of that kind would you compel them to have seven members?—Yes.

2494. What would be the object of that?—If there are less than seven members they may go on in their own individual names.

2495. There are, we will suppose, two or three partners in the firm; why should not they register their firm and take all the shares?—I do not myself see the necessity of that alteration; it may be expedient; it is not for me to say. If the Legislature should see fit so to enact, very likely it may work well; I should not recommend it myself.

2496. In the case of Overend & Gurney that was practically a bank?—A bank and a discount house.

2497. In the Overend case, I suppose, they would have lost just as much if 25 *l.* had been paid up as they did in fact lose?—It is now a matter of public notoriety that when the company was formed they were insolvent to the extent of three millions of money, and therefore, unless three millions of money could have been poured into their coffers they could not have been made solvent; they had been losing money for six years. If they had continued to be a private firm, they might then have said, "Each partner will only draw out a limited amount, and we will live quietly and let these profits accumulate;" and in that way, if they had remained a private firm they might have retrieved their position. But directly they became a public company, if they did not make large dividends the whole thing collapsed, and therefore it was pregnant with failure from the very first.

2498. Have you considered whether the process of winding up can be shortened in any way; it seems dilatory and expensive in many ways?—It is in many respects dilatory, because there are so many difficult questions that arise: whether a man is a shareholder, whether he is liable, whether he has paid his shares, whether he receives notice of a call, questions raised in every form. I believe I have had so much of my time

Mr. *Shaw*—continued.

taken up with this extraneous branch of the business of the court, I probably should not be wrong in saying that the time I have occupied sitting on the bench has been occupied to the extent of one-fourth with great commercial questions, most difficult questions; but probably I have had one-fourth of my time occupied with questions arising out of the formation and winding up of joint stock companies.

2499. A great deal of your time also, I suppose, has been occupied by questions of very minor importance connected with those companies?—No, they are settled in chambers; if they are small questions I have them brought before me in chambers, and in a few minutes I settle them; unless there is something really important they would not be brought into court.

2500. Would you be in favour of the liquidator being an officer of the court permanently?—No, I think not; I think it may very well remain as it is.

Mr. *Alexander Brown.*

2501. Have you had your attention directed to this Companies Acts Amendment (No. 2) Bill?—No, I have not.

2502. Will you look at the 4th section of that Bill, which is really an amendment of the 38th section of the Companies Act of 1867; I gather that you have expressed your opinion that all material contracts should be fully disclosed to the shareholders of a company?—Yes.

2503. Would you look at that section, and see whether or not you think that that amends the law as it now exists?—The clause I find is this, "Subject and without prejudice to any right acquired or any liability incurred thereunder before the commencement of this Act, Section 38th of the Companies Act, 1867, is hereby repealed; and instead thereof the following enactment shall take effect, that is to say, every prospectus or notice announcing for subscription or containing an invitation to subscribe for any share, bond debenture, or other capital of any company under the Companies Acts, 1862 to 1877, shall comply with the following requirements:—(*a.*) It shall state the names, addresses, and occupations of the vendors of any business or property intended to be sold to, or to be acquired by, such company. (*b.*) It shall state the date of, and the names of the parties to, and the material contents of, every contract, other than contracts for supplies or services not exceeding 200 *l.* in value, made before the issue of such prospectus or notice, by or on behalf of such company, or by any person who is or afterwards becomes a promoter, director, or trustee thereof, where such contract is to be carried into effect out of the funds or capital of the company to be subscribed under such prospectus or notice, or is for the benefit of such promoter, director, or trustee in relation to the promotion or undertaking of the company. (*c.*) It shall contain a copy of the memorandum of association of the company, and of the names, addresses, and occupations of the persons who have signed the same, and the number of shares in the company agreed to be taken by each of such persons. Every prospectus or notice which does not comply with the aforesaid requirements shall be deemed to be fraudulent on the part of every promoter, director, or trustee, or officer of such company who has knowingly issued or been concerned in the issue of such pro-

Hon. Sir *R. Malins.*

9 July 1877.

Mr. *Alexander Brown*—continued.

spectus or notice as regards any person applying or subscribing for any share, bond, debenture, or other capital in the company on the faith of such prospectus or notice, unless such person has had notice of the omitted particulars. Every person who has signed the memorandum of association of the company, or is at the date of the issue of any such prospectus or notice entitled under any agreement, either absolutely or contingently on the formation of the company, to be a director of the company, or to be allotted any share, bond, debenture or other capital therein, or to receive any payment out of the funds or capital of the company, shall be deemed to be a promoter of the company within the meaning of this section." As far as I can see (I should not like to pledge myself without very careful consideration) I should rather think it would be an improvement.

2504. Do you not think that very great difficulties would arise; that, in fact, people who are clever rogues can get out of any clause of this sort almost?—They baffle us sometimes, but they are not always successful. I think they have more difficulty in the Chancery division than in the common law, for this reason: first of all, the trial there takes place before a jury presided over by a judge; the finding is that of the jury; then there is a case whether there has been any misdirection of the judge on points of law, reserved; all kinds of things go to another court to be determined; from that court it goes to the Court of Appeal, and may ultimately go to the House of Lords. Now in the Court of Chancery, it is totally different. I am a judge, as Vice Chancellor, of first instance; the question comes before me; I must at the hearing of that case, make up my mind as to every matter of fact and point of law; when I give my judgment, it disposes of every part of the case. Many cases are full of difficulties as to facts; I must make up my mind about those just as if I were a jury; there are a good many points of law, and I must make up my mind on those; and when I give judgment, I decide every point of law and of fact. If parties are dissatisfied, they appeal from me to the Court of Appeal in Chancery, where, within a month or two, the case will be re-heard, and if they are dissatisfied with that they can go to the House of Lords, where, within a few months, it will be heard. Therefore, in this system, it is much more certain and quick than any trial of fact you can have by a judge and jury.

2505. But in the case of the winding up of these companies, do you think there would be an improvement or the reverse in handing over the winding up of these companies to the Court of Bankruptcy?—No, certainly I would not recommend that. I took an active part in the original question of limited liability. There were Acts up to 1862. This Act of 1862, which is a very great one, I am bound to say is a wonderful piece of legislation in my opinion, but I very well remember that Sir Roundell Palmer, then Attorney General, proposed to transfer the winding up as originally drawn to bankruptcy; I told him: "If you do that, I shall oppose it in every way;" and I remember his telling me one night, that he had made up his mind not to take it into the Court of Bankruptcy. I am clearly of opinion that the Court of Bankruptcy is not the proper court First of all, there is not at present, unless the Legislature chooses to supply

Mr. *Alexander Brown*—continued.

the want, a proper class of judges there; there is only one judge in bankruptcy in London, Vice Chancellor Bacon, who is chief judge in bankruptcy, and sits once a week only. You may see Mr. Commissioner So-and-so in the news papers sitting as chief judge; I do not think it is a fair thing that questions of that kind fit for a chief judge should be settled by officers having 1,200 *l.* or 1,500 *l.* a-year simply, instead of 5,000 *l.* which the judge gets. Therefore, there is not, in my opinion, in the Court of Bankruptcy, a proper tribunal for deciding the difficult and complicated questions that come in winding up.

2506. Have you had your attention directed to the fact that when the memorandum of association of certain joint stock companies states that the companies formed for a certain line of business it is impossible to increase or take in any other business, and in order for the company to go into that business it is necessary to wind up?—I think they have the power of enlarging the objects. I think there are some sections which enable them to do so, but the general course is to wind up the old company and form a new one with the increased objects.

2507. Do you think some more latitude should be given in altering the memorandum of association which binds the company to a special line of business?—Nothing has come within my observation which shows the necessity of that.

Mr. Serjeant *Sherlock.*

2508. When you speak of having the articles of association settled by some public officer, that is as contradistinguished from the memorandum of association, I think?—No, I should have both; they are contemporaneous documents, always signed on the same day and issued in the same form.

2509. The articles of association are more extensive, are they not?—More important, because there it is that you find these attempts to screen the directors not in the memorandum.

2510. The officer you suggest to inspect the documents would be a judicial officer, of course?—Certainly.

2511. And with an appeal to the Court of Chancery?—I think so.

2512. Now observations have been made with regard to the public being bound to protect themselves; am I justified in saying that your suggestions have a tendency to check the originating of fraud, and that it is better to prevent the initiation of fraud than to give a remedy afterwards as against the concoctors of it?—Yes; I think if you put certain difficulties in the way of those who want to form fraudulent companies, you do something for the public.

2513. Because it may result that after the fraud has been perpetrated the promoters may be insolvent, and leave substantially no remedy to the defrauded shareholders, as in the case of Hartmont, which you referred to just now?—Yes. You will find in the history of that case that the object there was to traffic in shares, and by a trick, which perhaps never was equalled in the annals of trickery, Hartmont got the shares up; the shares were got up by an operation of two or three days to 56 *l.* a share, and he sold 1,000 shares at 56,000 *l.*, when they were not worth 56,000 farthings, and pocketed the money.

2514. And practically, the articles of association being a lengthened document, very few shareholders

Mr. Serjeant *Sherlock*—continued.

shareholders would understand it, probably, if they were to read it?—Very few. We find it difficult to understand them when they are read in court, and read and re-read by counsel; and how the poor shopkeeper, and the clergymen, and the spinster are to understand them, I do not know.

2515. Therefore, in your view, without affording a paternal protection to shareholders, this which you have suggested would prevent the initiation of fraud?—It would have tendency that way; that is the result of my observation at the bar and on the bench, but more particularly on the bench; because when I left the bar in 1866, the great failures took place, you remember. It was in 1866 that Overend & Gurney's and great companies failed; and that brought a crop of winding-up business which we have not subdued yet, and which nobody could have anticipated.

2516. Now, in reference to the 38th section of the Act of 1867, that was legislation that was deemed necessary five years after passing the original Act of 1862?—Yes.

2517. The experience of the profession and the Legislature showed that certain contracts which should have been made known to the subscribers were kept back, and therefore the experience which was acquired by those five years was the cause of the suggestion of this legislation?—Certainly.

2518. Though the omission of a contract might not have been deemed fraudulent before that experience showed the result of it, there is nothing anomalous in the Legislature declaring that such should be fraudulent after the public have gained the experience it did?—I think not. I can see nothing anomalous in it. The Legislature says, "There are certain duties you are to perform, and if you omit to do them after this you shall be deemed to be guilty of fraud, because you abstain from disclosing that which the Legislature says you are bound to disclose."

2519. And therefore it may very reasonably happen that what would not be fraudulent in its inception would become so after there has been a certain course of commercial experience which has shown the result of it; and therefore there would be nothing anomalous in the Legislature declaring it fraudulent?—Clearly.

2520. I think that you have expressed a strong opinion against the allotting of paid-up shares to directors?—Yes. Some time ago I decided that every director was bound to take the minimum number of shares that were required for the qualification, and I have never deviated from that; that has been confirmed again and again by the Court of Appeal; nor have I ever hesitated to say that it is a practice which I consider disgraceful to persons in the position of gentlemen to accept qualifications of shares from promoters of companies. I consider it is the most disreputable proceeding that a man in the position of a gentleman can adopt; that is the view I have taken of it all along.

2521. Would you consider it judicious to legislate upon the subject, or is the view of the Court of Chancery now so strong that it is needless?—I think the view of the Court is so thoroughly established that it is not necessary.

Mr. Serjeant *Sherlock*—continued.

2522. Your decision last Saturday was in that direction?—Certainly.

2523. Now observations have been made with regard to the remuneration of liquidators, does it not strike you that in any instances the remuneration of liquidators has been rather unreasonably large as compared with the amount realised?—Very large. I have made orders for the remuneration of liquidators which have astonished me. In the Overend and Gurney Company it was so large that I would not make the order. The liquidators were most respectable men, two very eminent accountants, with whose conduct I have every reason to be satisfied from the day the winding up began down to the present, when it is still going on. Of course I see them rarely now compared with the first four years; for the first three or four years I scarcely ever went to Chambers without some application in the winding up of Overend & Gurney's; I do not now have one in six months; the names of the two gentlemen are Harding and Turquand, very eminent accountants, but when I had to remunerate them, I said, "I positively decline to make the order; I cannot do it without the sanction of those who have to pay it. The creditors at that time had all been paid, and they had no voice in it, but I said, "I cannot allow you the amount till the representatives of the shareholders have sanctioned it." They did sanction it, and then it was my duty to allow it.

2524. Unless they had expressed dissatisfaction your duty as a judge was at an end?—Yes; they were the paymasters. Therefore if they were satisfied, I was bound to be.

2525. Is it the practice of your court to give the carriage of the liquidation to the first applicant?—*Primâ facie* I give it to the person who has the carriage of the order, but that is subject to all kinds of qualification. If I find that is not expedient, I give it to anybody who I think will best do the duty.

2526. Is there sufficient protection, in your view, to creditors and shareholders in the examination of the accounts, and investigation of the accounts of the liquidators; are their bills taxed as solicitors' bills are, and is there the same amount of check?—I think sometimes there is a great defect in that respect. I recently had a case before me, in which the solicitor's bill was of a very large amount, and I asked who had attended the taxation; there was nobody to attend the taxation but the official liquidator's own solicitor; I did not think that right. In some cases there is not a sufficient check in my opinion.

2527. An honourable Member has asked you whether, if directors acted under the advice of counsel they should not be protected; is it not the principle of the Court of Equity that trustees are not protected for the breach of trust even though they act under the advice of counsel?—There is an Act of Parliament, Lord Cottenham's Act, which enables trustees who have any doubt as to who is entitled to a trust fund to pay it into the Court of Chancery; then a petition is presented to take it out again. But that power must not be abused. I had a case a year ago, and another since then; in both of these cases the counsel had advised that they should be paid into court. It was urged upon me that the trustees ought to have their costs, because they had done it under

Hon. Sir *R. Malins.*

9 July 1877.

Mr. Serjeant *Sherlock*—continued.

the advice of counsel. I said, "I cannot allow the principle that because counsel have advised an unreasonable course, I should allow the costs." Therefore in each case I made the trustees pay the costs.

2528. And the same principle would apply to directors?—Yes; it is not very often that counsel are mistaken when they give such advice; but still they must know that unless they apply to the Court for protection they must run the risk.

Mr. *Alfred Marten.*

2529. You have stated that you think there should be a restriction on the power to borrow. I find that in No. 153 of the Standing Orders of the House of Commons there is this provision: "In the case of a Railway Bill no company shall be authorised to raise by loan or mortgage a larger sum than one-third of their capital, and until 50 per cent. on the whole of the capital shall have been paid up, it shall not be in the power of the company to raise any money by loan or mortgage, unless the Committee on the Bill shall report that such restrictions, or either of them, ought not to be enforced, with the reasons on which their opinion is founded." Would you suggest that a provision of that description should be inserted in any Bill relating to joint-stock companies?—I would make it a general provision relating to joint-stock companies.

2530. Would you give any dispensing power similar to that given to a Select Committee of the House of Commons?—Every Railway Bill must come before a particular Committee; but this would be a general provision, and therefore it would not come before a Committee. Those restrictions are not in the Railway Clauses Act or in the Lands Clauses Act; it is a provision for each particular Act for compliance with that Standing Order.

2531. Supposing there should be a proposal that by the general law in this Companies Amendment Act there should be inserted a clause of that description, would you suggest that any dispensing power should be given to the Court or to the registrar of joint stock companies, or to any officer, who might vary it?—No, I think not. I should make it absolute. The evil of borrowing without anything to borrow on has been so great that I would restrict it.

2532. May not the persons who are invited to lend money see for themselves what amount of capital is paid up?—That is a very troublesome process.

2533. Is there any reason why the Legislature should especially protect people who will not inquire into that when they are invited to lend money?—That is a matter of political economy, which I do not enter on.

2534. Would you draw any distinction between railway companies and other companies?—The Legislature has thought fit to do that in railway companies, and I cannot see why it should not apply to other companies.

2535. Do you see any distinction between a railway company which has a monopoly given it, and a company which is like a trading partnership?—No; I think it is a rule of good sense that you are not to borrow money until you have something to borrow upon.

2536. You think, for example, that a company formed of seven or eight persons, under the Companies Act, for carrying on a particular business, differs so far from a private partnership that you ought to impose restrictions in one case which you would not in another?— Certainly; they advertise for money, they advertise the names of their directors, their officers, their solicitors, and everything of that sort; the business is altogether conducted in a different manner from that of a private partnership.

Mr. *Alfred Marten*—continued.

2537. Have you any reason for suggesting that the number of persons commencing a company should not be less than 10?—I am not very decided about that; I think seven will do, but I would rather have 10 with 50 *l.* each. There would be, then, this inconvenience, no doubt, that there must be 10 members of a joint-stock company; that would require further consideration.

2538. You would be opposed to allowing one or more men to register themselves as "John Brown, Limited," and get the advantage of carrying on business under a limited liability?—Yes.

2539. Would you suggest that there might be any modification of this description, that there might be one person carrying on the business who should be responsible entirely, and that other persons might be allowed to put in a certain amount of capital which should be the limit of their liability?—There is a limit of that kind in the Partnership Act. No, I think I would not extend that to companies.

2540. Are you opposed to that on the ground that you think it opens the door to fraud?—I think it opens the door to great complication, and I am not prepared to say that it would not open the door to fraud also.

2541. With reference to commencing business without a subscription of capital, to a certain extent, as I understand you, you would provide that the directors should be liable personally if they commenced business without a certain proportion of the capital being obtained?—Yes, and I have given striking instances where I have shown that they ought to be liable.

2542. And you say that on the ground that persons commencing business under that designation hold out to the world that they have sufficient capital to carry on the business?—Yes. In the Universal Non-Tariff Company, for instance, I cannot think it less than fraud for men to represent that they were in possession of capital to enable them to meet any losses under fire policies, when on the first loss that occurs it appears that they have not 300 *l.* to meet it. I think the gentleman at the head of that establishment, until he pays that money, is not worthy to hold a position under Goverment.

2543. With reference to the 38th section of the Act of 1867, would you approve of an alteration of this description, that, instead of declaring that the prospectus shall be deemed to be fraudulent, some penalty should be imposed, or some civil remedy should be given against the persons who issue the prospectus?—No, I think it is better as it is. The 38th section deems it to be fraudulent, and makes the person liable for the whole extent to which he has defrauded the public.

2544. Supposing a case where a judge came to the conclusion that there had been an omission under the 38th section, but that that omission

was

Mr. *Alfred Marten*—continued.

was without any trace of fraud; you would still think it desirable, would you, that there should be a legislative enactment declaring it to be deemed to be fraud?—Yes, I think so.

2545. With reference to the question of alteration of the memorandum of association, on which some questions have been asked by honourable Members of the Committee, do you think that there should be power, besides altering the memorandum of association in other respects, to alter it as to the objects for which the company is formed?—Yes, I think so; they may not put that in, but I think they are pretty successful, generally, in defining the objects.

2546. The objects are generally large enough, you think?—Yes.

2547. You have not, in practice, found any substantial inconvenience from the want of that power?—No; I do not think I have had a case before me in which the memorandum of association has not been sufficiently extensive for the objects of the company.

2548. Do you think any difficulty would arise, in practice, from abolishing the use of the word "reduced"?—No; I have made many orders under that Act of 1867, and I generally make it part of the order that they should continue to use the word "reduced" for a fortnight.

2549. In any alteration of the law, would you suggest that the Court should have power to dispense with the use of the word altogether?—I see no reason against that.

2550. Would you look at Clause 9 of the Bill which has been brought to our attention?—"The power conferred by the Companies Act, 1867, of reducing the capital of a company shall be applicable notwithstanding that the whole or part of the capital to be extinguished by the reduction has been paid up, and in such manner as to provide that the whole or any part of the liability on the shares not fully paid up be preserved, notwithstanding the reduction, and the Court shall have power to approve of a minute of the capital when so reduced. Where the proposed reduction of the capital of a company does not involve either, (1) The diminution of any liability in respect of unpaid capital, or, (2) The repayment to any shareholder of any paid-up capital, the creditors of the company shall not be entitled to object, or required to consent to the reduction." I do not exactly see the object of this. In giving a company the power of reducing its capital, we always require to be satisfied of certain things, for instance, that the debts are all provided for. I do not know what the object of this clause is; I do not understand it at present.

Mr. *Chadwick*.

2551. Would you allow me to ask you some questions on the Bill before you; you gave your opinion, in regard to Clause 4, as generally approving of the effect of that clause?—Yes, as far as I could do so from a hasty perusal.

2552. The object being to enforce a full disclosure, and to make clear what should be deemed fraudulent; would you now be good enough to look at Clause 5?—"No application for the allotment of any capital in pursuance of any such prospectus or notice shall be binding on the applicant unless the capital *bonâ fide* subscribed at the time of the allotment amounts to at least two-thirds of the amount of the capital offered in the prospectus or notice; and no such allotment shall be binding, unless made within 28 days of the date of the delivery of the application for such capital." I am not prepared to say that I should accede to that clause. I am afraid it would introduce technical difficulties. I think the clause I have suggested would meet all this, by saying that, whatever the application may be, they are not to begin business unless they have a certain proportion of the capital subscribed and paid.

Mr. *Chadwick*—continued.

2553. This clause is intended to prevent their beginning business until two-thirds of the entire capital is *bonâ fide* subscribed?—It says: "No application for the allotment of any capital in pursuance of any prospectus or notice shall be binding on the applicant unless the capital *bonâ fide* subscribed at the time of the allotment amount to at least two-thirds." I do not know exactly how they are to know that; a man applies for shares, then comes the day of allotment, and they allot; and when they have allotted, they do not know what the allottee can or will pay. Therefore I am afraid it must be postponed to a later period.

2554. The object of this clause is that no company shall be established till at least two-thirds of the entire capital has been subscribed?—It may be a good object, but I am afraid this clause is so framed that it would be impossible to work it. You may have an application in a foreign loan for 10 times the amount, and so you may in shares, and it has all ended in loss; and that was the case in the Sombrero Company; there was a very large application for shares, and they found in six months it was all a lie. Therefore this clause fixes it at too early a period.

2555. Will you look at Clause No. 6; that declares that every one shall know with whom he is associated, as a shareholder, in the same company; that a list of the allottees should be sent; do you agree to that?—No, I do not think I should agree to that; every one knows he is in a public company; it is immaterial whether he knows John Smith or John White or not.

2556. With regard to Clause No. 7, insurance companies, building societies, and railway companies have a statutory form of balance-sheet and statement of account; the greatest possible variation exists in regard to the balance-sheets of joint-stock companies; this is intended to adopt a fixed form; do you approve of this clause?—I do not know; I cannot tell; it is very difficult to say, upon the first perusal of a thing which I have not seen before; it requires great accuracy.

2557. Would you refer again to Clause 9, please; by the Act of 1867, on the addition of the word "reduced," companies are empowered to reduce their uncalled capital; but in the case recently before the Master of the Rolls, he decided that he could not enable actually called and paid-up capital to be reduced?—The cases that have been before me have generally been cases of this sort; they do not come to reduce their capital, except they are successful companies, and when they find they can carry on the company with a smaller amount of capital; they have given me evidence that all the debts are paid or provided for, and I do not make the order for reducing the capital till I am satisfied of those facts; therefore, in that case, whether the

Hon. Sir *R. Malins.*

9 July 1877.

Mr. *Chadwick*—continued.

the capital has been called or not called seems to me immaterial. If they are in possession of assets to pay their debts, they may very properly reduce their capital, I think, because any new debt will be incurred upon the reduced amount of capital.

Mr. *Gregory.*

2558. Have you ever had cases before you of one company arising out of another, created by another, as it were?—Yes, I have had one emanating from another; there is the Marseilles Land Company and the Marseilles Railway Company, two very fraudulent companies, as fraudulent as ever were concocted, both of them; the one emanated from the other.

2559. One, being bad, begot one worse?—Yes, worse, if possible, if it could be; I do not know that it could be worse; but, if possible, it was worse.

2560. Perhaps you can shortly tell us what were the circumstances of those companies?—I cannot tell the precise circumstances of the one emanating from the other, but the circumstance of the Marseilles Land Company was a mere fraud, the inducing the shareholders to buy, for three millions and a half, land that was not worth one million, in my opinion; and also the directors, many of them undoubtedly, as was proved in that case, bought the thing for one price and charged the company another, being a difference of between 600,000 *l.* and 700,000 *l.*, and put the difference in their own pocket. That was not only proved before me, but admitted by the delinquents, not in public court, but in chambers. They compromised; they said they could not pay the whole money back, but, on the average, they paid 10 *s.* or 11 *s.* in the pound back. One of them, once a Member of this House, had had 15,000 *l.* of the spoil; and having the command of money, before the question came before me, he had returned it in full; but the others being unable to do so, I was obliged, in the interest of the shareholders, to let them compromise. They had got amongst them the 600,000 *l.*, by buying the property at one price, and charging the company at another. The directors, in that case, adopted the practice which is called "salting;" they bought at one price, and charged the company at another price, a mode of the directors cheating the shareholders.

2561. Have you ever had to deal with bodies called syndicates?—Very much indeed. Several Members of the Committee were on the Foreign Loans Committee; all the gentlemen who sat on that Committee know what syndicates are better than I do, perhaps, though I have seen a great deal of them. Some syndicates are perfectly proper, and others perfectly improper. A syndicate is a body of men. The other day they agreed to take a Portuguese loan, so much "firm," and there is no impropriety in that, that I can see; an eminent firm did that.

Mr. *Kirkman Hodgson.*

2562. That was not the last Portuguese loan?—No. I have seen many in which it was done. I am blessed with these cases, not only as to companies, but foreign loans. I have had the Costa Rica, the Honduras, and all the companies of that kind; and in some of these fraudulent companies I have seen syndicates formed, had

Mr. *Kirkman Hodgson*—continued.

the names handed up to me, the syndicates took so much. Those have been mere fraudulent syndicates. Therefore a syndicate may be a very proper thing, and may be a very improper one.

2563. It was a good word once?—Yes, but, like "limited liability," it has been greatly abused.

Mr. *Gregory.*

2564. It is capable of prostitution?—Yes.

2565. You were asked as to the case of the London, Chatham, and Dover Company having raised money without having their capital subscribed: I think they were under the ordinary liability of railway companies; I do not know whether they were in their first inception, but subsequently they were under the ordinary liability to deposit a certain sum of money, and that sum of money, I believe, had to be deposited?—Yes; it was easily managed, you know. Although I was on the Conservative side of the House, I was not altogether opposed to improvement, and I took a very active part in abolishing the qualification for Members of Parliament; and one particular night it was trembling in the balance whether the Conservative party would retain the qualification for Members of Parliament, and I said, "The sooner you abolish it the better." I have known many instances where a man had got a seat in Parliament, and had gone to his banker, and said, "Lend me 10,000 *l.*;" he lent it on the Saturday and it was returned on Monday. So it is with these deposits on railways; it was always borrowed of some insurance company or banking company, and returned immediately, and did no good.

2566. I think there is this further security in the case of railways, that the deposit is not released unless on a sufficient bond of the works being finished to a certain extent?—That is so.

2567. I am asking you as to the question put to you with reference to the London, Chatham, and Dover Company?—I have been on the Bench nearly 11 years, and my recollection of those transactions is not so fresh as it was.

2568. Do you recollect that the money they raised in that way was raised by what are called Lloyds' Bonds?—Yes.

2569. Lloyds' Bonds were given to a contractor for certain work done?—Yes.

2570. So that there was a certain amount of work done representing the money so borrowed?—Yes.

2571. It was not like the borrowing you speak of, where money may be borrowed for the purposes of the directors, or any other purposes?—Just so.

2572. And not in respect of any work done or any property realised?—Yes. I take Lloyd's Bonds as a mode of paying for the construction of a railway very much like a nation at war that has no money; it issues paper, that is all.

2573. At the same time there was a work which had to be done for the bonds?—Yes; and so, when arms are supplied to the nation, they cannot pay money, but issue paper, which they redeem at the proper time if they can, if they are honest.

2574. It has been suggested that parties lending money to these companies should look out for themselves to see the security upon which they

lent

Mr. *Gregory*—continued.

lent it: now, I do not know whether your attention has been called to the provisions of the Act of 1862 in that respect; I see it is enacted under the 44th clause, that every limited company is to affix in the office a sort of balance-sheet in the form of the schedule?—Yes.

2575. That I think is the only mode in which information is provided by that Act to parties lending money to a company enabling them to ascertain the state of its affairs?—I believe that is the only one.

2576. And that is under a penalty?—Yes.

2577. We have heard it in evidence over and over again, that there is nobody practically to enforce the penalties under this Act?—No.

2578. You would hardly be aware, I suppose, in how many cases this provision is observed by companies, and in how many not?—No; I have scarcely had one brought to my notice.

2579. But all the guarantee we have for the observance of that is the penalty in that section?—Yes.

2580. Now, taking it generally, I think I understand your view in the inception of companies to be this, Parliament has given certain facilities for the formation of these companies which were not afforded by the common law of the country, and you consider that in giving these facilities Parliament has a right to require that these facilities should be carried out in a *bonâ fide* manner?— Yes, certainly.

2581. And to require guarantees to that effect?—Quite so.

2582. There is one question with respect to liquidation which I should like to ask you; have you known cases of running for the liquidation of companies?—Yes; it is very common. Of course solicitors are, like other classes of men, of various descriptions, there are some very much engaged in winding-up cases that have scarcely any other business, and some first-class solicitors never have a winding-up case; therefore there is very often a great run amongst the liquidators and also the solicitors which shall have the command of a business, and sometimes they run so fast that when they have got it they find they have got no paymaster; and I ask them what can have induced them to take the business. I have had several cases in point in which no funds could be found either for liquidator or solicitor.

2583. Have you any reason to suspect arrangements between solicitors and liquidators?—I cannot say; I do not indulge in suspicions. I think I have no sufficient reasons to suspect anything of the kind.

Mr. *Alfred Marten.*

2584. Have you any reason to suppose that there are cases of petitions improperly presented for the purpose of what is called wrecking companies?—Yes, there have been such cases; I have myself had many such. I will give you an instance: a petition was presented before me some five years ago to wind up the Brighton Company, the Great Hotel at Brighton: it was presented by two debenture-holders of 200 *l.* each. It was very strongly urged that I should wind up this company, because they had not been paid the interest on their debentures, and no doubt the company were in difficulties. I called for the balance-sheet, and I saw by the balance-sheet made up for the preceding half-year that they had earned profit to a considerable amount. I appointed an interim liquidator, and seeing from the balance-sheet that there were elements of success, I said, "This must be wound up unless capital can be found; and the right thing would be a meeting of shareholders to see whether they can find the requisite capital." A meeting was held and they found the requisite capital; and that company instead of being wound up, has been going on successfully with a dividend every year of five per cent., and a considerable sum in reduction of their debt. Those petitions were presented, I am satisfied, merely for the purpose of making costs. I was obliged to give them the costs, but in my chambers, in that very case, the liquidator (I was obliged to appoint a liquidator as a sort of receiver while the petition was pending) brought in his costs, I think at 490 *l.*, and I said, "I allow 100 *l.* and no more; if you are dissatisfied, bring it before me in court, and I will hear it argued by counsel, and if you can show me that it ought to be more I will give you more; you will have an opportunity, if dissatisfied with my decision, of bringing it before the Court of Appeal." It never was brought before me in court; the 100 *l.* was taken; and the whole thing satisfied me that that was an instance in which there was no *bonâ fide* object in presenting these two petitions, but the company being in temporary difficulties, it was thought that money could be made out of it. I defeated the object as far as I could.

Mr. *Alfred Marten*—continued.

2585. Do you think the present powers are sufficient to enable you to deal with such cases so as to prevent injustice being done?—Quite, I think.

Mr. *Isaac.*

2586. I should like to ask you whether you consider that money paid for share capital in limited liability companies would be in the same category as the deposits you have mentioned with regard to railway companies before they get their Bill; money paid for shares in a trading company by a shareholder previous to their being allowed to commence business, would not be in the same category, would it, as the sum you mentioned as being borrowed from bankers by a railway company?—No, I think that a man may pay for shares in money or money's worth. It is settled now in our courts that a man is not obliged in buying shares to pay actually money for them. For instance, if a company were formed, say to manufacture shoes, and a shareholder supplied a quantity of leather for the purpose, that would be a payment in leather instead of money, which is just as good; that would be money or money's worth.

2587. My object in asking the question is, to know whether it would not be a security to the shareholders of a company if, before they commence business, they had a certain amount of money actually subscribed?—According to my views, I have said, that they ought to have a certain amount of the capital actually subscribed and paid before they commenced business.

2588. I see in a case before you, as Vice Chancellor, on Saturday, the Eskern Slate and Slab Quarries Company, you decided that the directors, who had had their shares given them, should pay for them?—Certainly.

2589. Would you apply the same principle to

Hon. Sir *R. Malins.*

9 July 1877.

Mr. *Isaac*—continued.

shareholders who have taken shares without payment?—Certainly, if they had taken them without paying for them; no contrivance to give the appearance of payment which had not actually taken place would be allowed of if we could detect it. Sometimes they are very clever, and elude our grasp; but if we can lay hold of them we do.

2590. In your judgment it was simply the case of two directors that you dealt with, and it struck me as possible that the same thing might be done in the case of shareholders, that certain shareholders might have certain shares without having paid for them?—I should apply precisely the same rule; the only difference was, that those were persons who had taken shares, and by the constitution of the company they were bound to take 50 shares each; therefore I made them pay the 50 shares, which was the qualification of the directors.

2591. Have you had any complaints of the professional liquidators brought before you?—I am bound to say that they have conducted their business admirably. I believe I have only had one instance during the conduct of the business of my Court of a liquidator going wrong. I believe he absented himself; but that is the only case I have had. They give security, you know.

Mr. *Isaac*—continued.

2592. We have had some evidence before us, to the effect, that official liquidators may be done away with, and the entire liquidation put into the hands of the solicitor; do you, from your great knowledge of the winding up of companies, consider that that could be done?—It could be done; but certainly it would be, in my opinion, greatly to the disadvantage of the public.

2593, You do not consider that the solicitor is competent to perform the duties performed at present by the official liquidator?—No; one is the business of an accountant, and the other of a professional solicitor. In some of the winding-up cases there is a great deal more winding up than in others. Some solicitors, not from improper motives, are more litigious than others; some like litigation and others hate it; and accordingly you have a varying amount of litigation.

2594. You have no reason to suppose that professional liquidators have delayed the winding up of companies?—No, I am bound to say that I have not had that case.

APPENDIX.

LIST OF APPENDIX.

Appendix, No. 1.

Papers handed in by Mr. Cousins: PAGE.

Documents required by the Acts to be forwarded to the Registrar - - - - 159

Return of the Companies which have taken advantage of the 9th Section of the 1867 Companies Act, 30 & 31 Vict. c. 131, authorising a Reduction of Capital, from the passing of the Act to the present time - - - - - - - - - - 175

Statement of the Number and Total Nominal Capital of the Joint Stock Companies Registered in the United Kingdom under the Companies Act, 1862 - - - 178

Statement of the Nominal and Paid-up (or considered to be Paid-up) Capital of all Companies registered in England (not including Companies registered at Truro), as given in their latest Returns; distinguishing the Capital of Companies which appear to be still in existence from that of the Companies which are no longer carrying on Business, and that of the Companies about which the Office has no information, but which are believed to have been mainly abortive - - - - - - - - 179

Appendix, No. 2.

Paper handed in by Mr. Price, 25 June 1877:

Regulation as to the mode of remunerating Official Liquidators, adopted by the Master of the Rolls and the Vice Chancellors, and sanctioned and approved by the Lord Chancellor - - - - - - - - - - - - - - - 180

Appendix, No. 3.

Letter from the President of the Institute of Accountants to the Chairman of the Committee 181

APPENDIX.

Appendix, No. 1.

PAPERS handed in by Mr. *Cousins*.

DOCUMENTS required by the ACTS to be forwarded to the REGISTRAR.

	Companies Acts.	
	1862.	1867.
	Section.	Section.
*1. Memorandum of Association, on registration of which Certificate is granted.	6, 18	–
2. Articles of Association	17	–
3. Notice of Situation of Registered Office	40	–
*4. Notice of Change of Situation of Registered Office.	40	–
5. Contract as to Paid-up Shares	–	25
*6. Annual Summary of Capital, and List of Shareholders, with Names, Addresses, and Occupations.	26	–
7. List of Names, Addresses, and Occupations of Directors (Companies not having a Capital divided into Shares).	45	–
8. Change in List of Directors	45	–
*9. Special Resolutions, which may be for any of the following purposes :—	53	–

	Acts.	
	1862.	1867.
	Section.	Section.
1. To alter Articles	50	–
2. To increase Capital	12	–
3. To consolidate Shares	12	–
4. To convert Shares into Stock.	12	–
5. To change Name	13	–
6. To wind up	129	–
7. To be wound up by the Court.	79	–
8. To make Liability of Directors unlimited.	–	8
9. To reduce Capital	–	9
10. To subdivide Shares	–	21
11. To issue Share Warrants	–	27
12. To sanction Compensation in Shares, &c., for Interests of a Company winding up voluntarily.	161	–
13. To determine on Mode of Raising Money to buy off dissentient Members' interests.	161	–

*10. Notice of Increase of Capital	34	–
*11. Notice of Increase of Members	34	–
12. Copy of Order of Court, confirming Reduction of Capital.	–	15
13. Copy of Minute approved by Court, showing the Amount of Capital, and of each Share as reduced.	–	15
14. Notice of Conversion of Shares into Stock	28	–

	Companies Acts.	
	1862.	1867.
	Section.	Section.
15. Notice of Consolidation of Shares	28	–
16. Annual Summary, and List of Members whose Shares have been converted into Stock.	29	–
17. Assent of Board of Trade to Change of Name (a Certificate of this is granted).	13	–
18. Extraordinary Resolution to wind up	129	–
19. Ordinary Resolution altering Regulations, &c., occasionally filed at request of Persons interested.	–	–
20. Rectification of Register by Order of Court	35, 36	–
Companies which existed before the passing of the Act 1862, and who apply to be registered under Part VII. of that Act.		
*21. Application for Certificate	–	–
22. Resolution authorising Registration	179	–
23. Copy Deed or other Instrument constituting or regulating Company	183 and 184	–
24. List of Members, &c.	183	–
*25. Statement of Capital Number of Shares, &c.; Number of Shares taken, and Amount paid.	183	–
26. List of Names, &c., of Directors (Companies not having a Share Capital).	184	–
*27. Declaration by Directors authenticating the above.	186	–
Winding up.		
28. Order of Court to wind up Company (usually a copy).	88	–
Or special Resolution to wind up	129	–
*29. Order of Court to dissolve Company	112	–
Or Liquidators' final Report	143	–
*30. Consent to take Name of subsisting Company.	20	–

	Railway Companies Securities Act, 1866.
Railway Companies.	
1R. Return of the Name of registered Officer	Section 3
2R. Copy of Loan Capital Half-yearly Account	,, 8
3R. Return of Statement as to New Borrowing Powers.	,, 10

Note.—Where a general form is prescribed, either by the Act or by the Board of Trade, for any of these proceedings, a specimen of such form is annexed, and is indicated above by an asterisk.

14 June 1877.

W. H. Cousins, Registrar.

Appendix, No. 1.

No. 1.

COMPANIES ACT, 1862.

Company Limited by Shares.

Memorandum of Association of the_____Limited.

1st. The name of the Company is_____Limited.

2nd. The registered Office of the Company will be situate in England.

3rd. The objects for which the Company is established, are_____and the doing of all such other things as are incidental or conducive to the attainment of the above object.

4th. The liability of the Members is limited.

5th. The capital of the Company is_____pounds divided into_____ shares of_____each.

We, the several persons whose names and addresses are subscribed, are desirous of being formed into a Company, in pursuance of this Memorandum of Association, and we respectively agree to take the number of Shares in the Capital of the Company set opposite our respective names.

Names, Addresses, and Descriptions of Subscribers.	No. of Shares taken by each Subscriber.

Dated the_____day of_____.

Witness to the above signatures_____.

State on the back of this Memorandum of Association whether it is registered with or without Articles of Association.

The Articles (if any) must be signed by the Subscribers to the Memorandum, and must be printed.

The Memorandum and Articles must bear the same stamps respectively, as if they were deeds.

No. 1.

COMPANIES ACT, 1862.

COMPANY LIMITED BY GUARANTEE, AND HAVING A CAPITAL DIVIDED INTO SHARES.

MEMORANDUM of Association of the _____ Limited.

1st. The name of the company is _____ Limited.

2nd. The registered Office of the Company will be situate in England.

3rd. The objects for which the Company is established, are _____

4th. Every member of the Company undertakes to contribute to the assets of the Company in the event of the same being wound up during the time that he is a member, or within one year afterwards, for payment of the debts and liabilities of the Company, contracted before the time at which he ceases to be a member, and the costs, charges, and expenses of winding up the same, and for the adjustment of the rights of the contributories amongst themselves, such amount as may be required not exceeding _____

We, the several persons whose names and addresses are subscribed, are desirous of being formed into a Company, in pursuance of this Memorandum of Association.

Names, Addresses, and Descriptions of Subscribers.

Dated the _____ day of _____

Witness to the above signatures _____

This Memorandum must be accompanied by printed Articles of Association, prepared and executed in conformity with Section 14 of the Act, and with the Form of Articles given in Form C. of the Second Schedule to the Act.

The Memorandum and Articles must bear the same stamps respectively, as if they were deeds.

The Articles must be signed by the subscribers to the Memorandum.

Appendix, No. 1.

No. 1.

COMPANIES ACT, 1862.

COMPANY LIMITED BY GUARANTEE, AND NOT HAVING A CAPITAL DIVIDED INTO SHARES.

MEMORANDUM of Association of the _____ Limited.

1st. The name of the Company is _____ Limited.

2nd. The registered Office of the Company will be situate in England.

3rd. The objects for which the Company is established, are _____

4th. Every member of the Company undertakes to contribute to the assets of the Company in the event of the same being wound up during the time that he is a member, or within one year afterwards, for payment of the debts and liabilities of the Company, contracted before the time at which he ceases to be a member, and the costs, charges, and expenses of winding up the same, and for the adjustment of the rights of the contributories amongst themselves, such amount as may be required not exceeding _____.

We, the several persons whose names and addresses are subscribed, are desirous of being formed into a Company, in pursuance of this Memorandum of Association.

Names, Addresses, and Descriptions of Subscribers.

Dated the _____ day of _____.

Witness to the above signatures _____.

This Memorandum must be accompanied by printed Articles of Association, prepared and executed in conformity with Section 14 of the Act, and with the Form of Articles given in Form D. of the second Schedule to the Act.

The Memorandum and Articles must bear the same stamps respectively, as if they were deeds.

The Articles must be signed by the Subscribers to the Memorandum.

No. 3, and, with Alteration, for No. 4.

[Official, No. 7.]

"THE COMPANIES' ACTS, 1862 and 1867."
(25 & 26 Vict. c. 89; and 30 & 31 Vict. c. 131.)

NOTICE of the situation of the registered office of the _____ Company.

Pursuant to Section 40 of Principal Act.

TO THE REGISTRAR OF JOINT STOCK COMPANIES.

The _____ Company _____ hereby give you notice, in accordance with "The Companies Act, 1862," that the registered office of the Company is situated at _____ in the county of _____.

(Signature)

_____

_____

Dated _____ day of _____ 18____.

_____

This notice is to be signed by a director, manager, secretary, or other authorised officer of the Company.

Notice of any change in the situation of the registered office must also be registered (*vide* § 40 of Principal Act).

A penalty of 5 *l.* per day is incurred by Company for not having a registered office (*vide* § 39 of Principal Act).

Appendix, No. 1.

No. 6.

[Official Number, 12B.]

"THE COMPANIES' ACTS, 1862 and 1867."

(25 & 26 Vict. c. 89, sec. 26; and 30 & 31 Vict. c. 131, sec. 32.)

FORM E 2.

SUMMARY of capital and shares of the _____ Company, _____ made up to the _____ day of _____ 18

Nominal Capital, £._____ Divided into _____ Shares of £._____ each.

Number of shares taken up to the _____ day of _____ 18 { _____ / _____

There has been called up on each share - - - - - - £._____

Total amount of calls received - - - - - - - - £._____

Total amount of calls unpaid - - - - - - - - £._____

Total amount paid on _____ Shares forfeited - - - £._____

*** *The following Items are only to be filled up by Companies that have issued share warrants*

Total amount of shares for which share warrants, comprising _____ shares each, are outstanding - - - - - - - - - } £._____

Total amount of stock for which share warrants, comprising £._____ stock each, are outstanding - - - - - - - - - } £._____

Total amount of share warrants, comprising _____ shares or £._____ stock issued since the last summary - - - - - - } £._____

Total amount of share warrants, comprising _____ shares or £._____ stock surrendered since the last summary - - - - - } £._____

LIST of Persons holding Shares in the _____ Company _____ on the _____ day of _____ 18____, and of Persons who have held Shares therein at any time during the Year immediately preceding the said _____ day of _____ 18____, showing their Names and Addresses, and an Account of the Shares so held.

Folio in Register Ledger, containing Particulars.	NAMES, ADDRESSES, AND OCCUPATIONS.				ACCOUNT OF SHARES.					REMARKS.
	Surname.	Christian Name.	Address.	Occupation.	Shares held by existing Members on the ____ day of 18____.	Additional Shares held by existing Members during preceding Year.		Shares held by Persons no longer Members.		
						Number.	Date of Transfer.	Number.	Date of Transfer or Issue of Share Warrant.	

(*Signature*) _____

(*Officer*) _____

This Return is to be signed, at the end, by a director, manager, secretary, or other authorised officer of the Company.

No. 6.

No. of Certificate. _____ C. N. L. _____ [No. 12.

"THE COMPANIES ACTS, 1862 and 1867."

(25 & 26 Vict. c. 89, sec. 26; and 30 & 31 Vict. c. 131, s. 32.)

FORM E.

SUMMARY of Capital and Shares of the _____ Company, _____ made up to the _____ day of _____ 18

Nominal capital £. _____ divided into _____ shares of £. _____ each.

*Number of shares taken up to the _____ day of _____ 18 { _____

† There has been called up on each _____ share - - - £. _____

¶ Total amount of calls paid " " " - - - - - - - £. _____

Total amount of calls unpaid - - - - - - - £. _____

Total amount paid on** _____ Shares forfeited - £. _____

* Specify the existing Shares only, as shown in the list.

† Where various amounts have been called, or there are Shares of different kinds (*e.g. A, or B,* or 100 *l. or* 5 *l.*), state them separately.

¶ Include what has been received on forfeited, as well as on existing, shares.

** State the aggregate number of Shares forfeited (if any).

☞ The Return is to be signed, at the end, by a director, manager, secretary, or other authorised officer of the Company.

LIST of Persons holding Shares in the _____ Company _____ on the _____ day of _____ 18 _____, and of Persons who have held Shares therein at any time during the Year immediately preceding the said _____ day of _____ 18 _____, showing their Names and Addresses, and an Account of the Shares so held.

Folio in Register Ledger containing Particulars.	NAMES, ADDRESSES, AND OCCUPATIONS.				ACCOUNT OF SHARES.					REMARKS.
	Surname.	Christian Name.	Address.	Occupation.	* Shares held by existing Members on the _____ day of _____ 18 _____.	† Additional Shares held by existing Members during preceding Year.		¶ Shares held by Persons no longer Members.		
						Number.	Date of Transfer.	Number.	Date of Transfer.	

(*Signature*) _____

(*Officer*) _____

* The aggregate number of Shares held and not the distinctive numbers is to be stated, and the column should be added up.

† State the number of Shares transferred during the preceding year by the existing Member. (The previous column shows how many he retains.)

¶ This heading should be read thus:—"*Shares* 'which have been' *held* 'during the past year' *by Persons* 'now' *no longer Members.*"

No. 9.

[82.]

COMPANIES' ACTS, 1862 and 1867.

(25 & 26 Vict. c. 89, 30 & 31 Vict. c. 131.)

COMPANY LIMITED by SHARES.

SPECIAL RESOLUTION (pursuant to Companies' Act, 1862, ss. 51,_____ and Companies' Act, 1867, ss._____ *) of the_____ Company Limited.

Passed _____ 18 , Confirmed_____ 18 .

At an extraordinary general meeting of the members of the said Company duly convened and held at_____ in the county of_____ on the_____day of_____18 , the following special resolution_____ duly passed, and at a subsequent extraordinary general meeting of the members of the said Company, also duly convened and held at the same place on the_____day of _____18 , the following special resolution_____duly confirmed,_____

Signature, *A.B.*
C.D.

* Here insert the particular sections of the Act under which the resolutions were passed, viz., Companies' Act, 1862, sec. 13, 50, 129 (2) Companies' Act, 1867, sec. 8, 9, 21, 27, as the case may be.

The special resolution to be printed, and signed by a director, secretary, or other authorised officer of the Company, s. 64.

No. 10.

[Form No. 3.]

"THE COMPANIES' ACT, 1862."

(25 & 26 Vict. c. 89.)

LIMITED COMPANY.

NOTICE of increase in the nominal capital of the_____ Company.

Pursuant to Section 34.

TO THE REGISTRAR OF JOINT STOCK COMPANIES.

The_____hereby give you notice, in accordance with the Companies' Act, 1862, that by a resolution of the Company dated the_____ day of_____the nominal capital of the Company has been increased by the addition thereto of the sum of_____pounds, divided into_____shares of_____each, beyond the registered capital of £_____

Dated the_____day of_____

, This notice is to be signed by a director, secretary, or other authorised officer of the Company.

No. 11.

[Form No. 3a.]

"THE COMPANIES' ACT, 1862."

(25 & 26 Vict. c. 89.)

LIMITED COMPANY.

NOTICE of Increase in the Number of Members of the_____Company.

Pursuant to Section 34.

TO THE REGISTRAR OF JOINT STOCK COMPANIES.

The_____hereby give you notice, in accordance with "The Companies Act, 1862," that the Number of Members of the Company has been increased by the addition thereto of_____beyond the present Registered No. of_____

Dated the_____day of_____187__.

This Notice must be sent to the Registrar within 15 days from the date at which the Increase has been resolved on or has taken place, under a penalty of 5 *l.* per day for default.

*** This notice is to be signed by a director, secretary, or other authorised officer of the Company.

Presented for filing by

Appendix, No. 1.

No. 21.

"COMPANIES' ACT, 1862."

(25 & 26 Vict., c. 89.)

COMPANY LIMITED BY_____

APPLICATION for a Certificate of Incorporation by the_____ _____ _____ Company.

Pursuant to Section 183.

The _____Company, completely registered under the Act 7 & 8 Vict., c. 110, desires to register itself as a Company Limited by_____, under the Companies Act, 1862, by the name of _____ Limited, and for that purpose presents the under-mentioned documents for registration under the said last-mentioned Act.

Dated the_____day of_____18 .

DOCUMENTS presented for Registration with the foregoing Application.

1. List of the members of the Company made up to the _____ day of_____ .

2. Statement showing the nominal capital of the Company, its division into shares, the number of shares taken, and the amount paid on each share; also the name of the Company and the situation of its registered office.

3. Copy resolution of the Company assenting to its registration as a Limited Company and adding the word "Limited" to its name.

4. Declaration by †_____ of the Company verifying the particulars set forth in the documents above-mentioned.

*** This application is to be signed by a director, secretary, or other authorised officer of the Company.

† This declaration to be by any two directors, or other principal officers of the Company.

To be used in the case of Companies completely registered without limited liability, and desiring to be incorporated with limited liability.

No. 21.

"COMPANIES' ACT, 1862."

(25 & 26 Vict. c. 89.)

COMPANY LIMITED BY _____

APPLICATION for a Certificate of Incorporation as a Limited Company by the _____ _____ Company.

Pursuant to Section 183.

The _____ Company, constituted by _____ dated the _____ desires to register itself as a Company Limited by _____ the Companies' Act, 1862, by the name of _____ Company Limited, and for that purpose presents the under-mentioned Documents for Registration under the said Act.

Dated the _____ day of _____ 18____.

DOCUMENTS presented for Registration with the foregoing Application.

1. Copy of the _____ constituting the Company.

2. List of the Members of the Company made up to the _____ day of _____

3. Statement showing the nominal Capital (if any) of the Company, its division into Shares, the number of Shares taken, and the amount paid on each Share; also the name of the Company and the situation of its Registered Office.

4. Copy resolution of the Company assenting to its registration as a Limited Company, and adding the word "Limited" to its name.

5. Declaration by †_____ of the Company verifying the particulars set forth in the documents above mentioned.

*** This Application is to be signed by a director, secretary, or other authorised officer of the Company.

† This declaration to be by any two directors, or other principal officers of the Company.

To be used in the case of Companies, existing, but not registered, on the Act coming into operation, and desiring to be registered with limited liability.

Appendix, No. 1.

No. 21.

"COMPANIES' ACT, 1862."

(25 & 26 Vict. c. 89.)

UNLIMITED COMPANY.

APPLICATION for a Certificate of Incorporation by the_____Company.

Pursuance to Section 183.

The_____Company, constituted by_____ dated the_____desires to register itself under the Companies' Act, 1862, and for that purpose presents the under-mentioned documents for registration under the said Act.

Dated the_____day of_____18____.

DOCUMENTS presented for Registration with the foregoing Application.

1. Copy of the_____constituting the Company.
2. List of the members of the Company made up to the_____day of_____.
3. Statement of the Registered Office of the Company.
4. Copy resolution of the Company assenting to its registration.
5. Declaration by†_____of the Company verifying the particulars set forth in the documents above mentioned.

*** This application is to be signed by a director, secretary, or other authorised officer of the Company.

† This declaration must be by any two directors, or any two other principal officers of the Company.

To be used in the case of Companies, existing, but not registered, on the Act coming into operation, and desiring to be registered without limited liability.

No. 21.

"COMPANIES ACT, 1872."

(25 & 26 Vict. c. 89.)

UNLIMITED COMPANY.

APPLICATION for a Certificate of Incorporation by the _____ Company.

Pursuant to Section 183.

The _____ Company.
completely registered under the Act 7 & 8 Vict. c. 110, desires to register itself under the Companies Act, 1862, and for that purpose, presents the under-mentioned documents for registration under the said last-mentioned Act.

Dated the _____ day of _____ 18___.

*** This application is to be signed by a director, secretary, or other authorised officer of the Company.

Documents presented for Registration with the foregoing Application.

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1. List of the members of the Company made up to the _____ day of _____
2. Statement of the Registered Office.
3. Declaration by* _____
of the Company verifying the above-mentioned.

* This declaration must be by any two directors, or any two other principal officers of the Company.

To be used in the case of companies completely registered without limited liability, and desiring to be incorporated without limited liability.

Appendix, No. 1.

No. 25.

"COMPANIES' ACT, 1862."

(25 & 26 Vict. c. 89.)

LIMITED COMPANY.

STATEMENT of the Nominal Capital of the _____ Company _____ its division into Shares, the Number of Shares taken, and Amount paid thereon as at the _____ day of _____ 18____.

Also of the Name and Registered Office of the Company.

(Pursuant to Section 183.)

*** This statement is to be registered with the application for incorporation of the Company.

Amount of nominal capital.	
Number of shares into which it is divided, and amount of each share.	
Number of shares taken up to the day of	
Amount paid on each share.	
Name of the Company.	
Registered Office.	

Dated _____ day of _____.

*** This statement is to be signed by a director, secretary, or other authorised officer of the Company.

No. 27.

"COMPANIES ACT, 1862."

(25 & 26 Vict. c. 89.)

DECLARATION verifying documents presented for registration by the _____ Company, with its application for incorporation.

Pursuant to Section 186.

We _____ of _____ and _____ of _____ being two of the _____ Do solemnly and sincerely declare that the particulars set forth in the several documents accompanying this declaration, and marked respectively with the letters _____ are true; and we make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of an Act of Parliament made and passed in the sixth year of the reign of his late Majesty, intituled, "An Act to repeal an Act of the present Session of Parliament, intituled, 'An Act for the more effectual Abolition of Oaths and Affirmations taken and made in various Departments of the State, and to substitute Declarations in lieu thereof, and for the more entire suppression of Voluntary and Extra-judicial Oaths and Affidavits, and to make other provision for the Abolition of Unnecessary Oaths.'"

Declared at _____ this _____ day of _____ 186 , before me

Signatures of two Directors or other principal officers. _____ _____

No. 29.

[No. 37 (W.)]

"THE COMPANIES ACT, 1862."

(25 & 26 Vict. c. 89.

RETURN of Final Winding-up Meeting of the _____ Company _____

Pursuant to Sections 142 and 143.

This return must state that the meeting has been held pursuant to Section 142, and the date of such meeting; and must forthwith be forwarded to the registrar under a penalty of 5 *l.* per day for default.

TO THE REGISTRAR OF JOINT STOCK COMPANIES.

I have to inform you that a meeting of the _____ Company _____ was duly held on the _____ day of _____ 186 , for the purpose of having an account laid before them showing the manner in which the winding up of the Company has been conducted, and the property of the Company disposed of, and that the same was done accordingly.

(Signature)

Dated _____ day of _____.

Liquidator.

***** This return is to be signed by a liquidator of the Company in course of winding up.**

Appendix, No. 1.

No. 30.

"COMPANIES' ACT, 1862."

(25 & 26 Vict. c. 89.)

NOTICE of Consent to take Name of a subsisting Company.

Pursuant to Section 20.

N.B.—This Notice is to be filed after registration of the resolution to wind up subsisting Company.

TO THE REGISTRAR OF JOINT STOCK COMPANIES.

We, the undersigned, being*_____of the_____ Company, Limited, give you notice that this Company is in the course of being dissolved, and hereby, under the provisions of the Companies Act, 1862, s. 20, and on behalf of the said Company, testify its consent to the Registration of a new Company by the name of_____

_____

_____

_____

_____

_____

_____

_____

_____ Secretary.

Dated this_____day of_____186_____

N.B.—To be countersigned by the Secretary of the Company (if any.)

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* The "liquidators," or "two of the directors," or "the whole of the shareholders (*e.g.* the 7)," or "duly authorised at a General Meeting held on the_____day of_____ 186 ."

RETURN of the COMPANIES which have taken Advantage of the 9th Section of the 1867 COMPANIES ACT, 30 & 31 Vict. c. 131, authorising a REDUCTION of CAPITAL, from the passing of the Act to the present time.

No.	NAME OF COMPANY.	Date of Registration of Company.	Date of Registration of Reduction of Capital.	Amount of Capital before Reduction.		Nominal Capital as Reduced.	Present Capital.		
				Nominal.	Paid up.		Nominal.	Paid up.	
				£.	£. s. d.	£.	£.	£. s. d.	
1	Sharp, Stewart, & Company, Limited	31 Dec. 1863	27 Dec. 1867	400,000	350,000 – –	312,500	365,000	315,000 – –	
2	National Bank of Liverpool, Limited	23 Feb. „	25 April 1868	3,000,000	444,797 10 –	750,000	750,000	450,000 – –	
3	Liverpool Financial Association, Limited.	27 Feb. 1864	18 July „	500,000	118,279 – –	250,000	250,000 23 Feb. 1873	118,529 – – 23 Feb. 1873.	Winding or wound up.
4	Park Lane Company, Limited - -	20 Mar. 1865	31 July „	50,000	21,830 – –	15,000	18,000	11,475 – –	
5	Palmers Ship Building and Iron Company, Limited.	21 July „	7 Aug. „	2,000,000	740,431 6 3	1,400,000	1,594,005	931,127 – –	
6	Mersey Steel and Iron Company, Limited.	3 Aug. 1864	11 Aug. „	800,000	299,950 – –	500,000	500,000 30 Aug. 1870	459,875 13 7 30 Aug. 1870.	This Company further reduced its capital. *See* No. 39.
7	British Shipowners Company, Limited.	30 Mar. „	21 Aug. „	2,000,000	282,750 – –	1,000,000	1,000,000	375,150 – –	
8	John Chadwick & Company, Limited	5 Aug. 1865	17 Dec. „	150,000	15,605 – –	75,000	75,000 31 Dec. 1873	16,300 – – 31 Dec. 1873.	Wound up.
9	Staffordshire Wheel and Axle Company, Limited.	8 Mar. 1866	28 Dec. „	400,000	16,505 – –	200,000	200,000	21,816 – –	
10	International Financial Society, Limited.	22 May 1863	31 Dec. „	3,000,000	750,000 – –	1,500,000	1,500,000	750,000 – –	
11	Prestatyn Colliery Company, Limited	29 Oct. 1866	4 Feb. 1869	100,000	54,597 10 –	35,000	35,000 31 Dec. 1875	34,820 – 8 31 Dec. 1875.	Wound up.
12	West India and Pacific Steamship Company, Limited.	23 Nov. 1863	6 Feb. „	1,250,000	472,000 – –	625,000	625,000 4 Mar. 1872	472,000 – – 4 Mar. 1872.	This Company further reduced its capital. *See* No. 47.
13	Liverpool Marine Credit Company, Limited.	25 May 1865	11 Feb. „	200,000	20,000 – –	100,000	100,000	48,784 12 –	
14	Britannia Mills Flour and Bread Company, Limited.	9 May 1862	12 Feb. „	125,000	P. 87,500 – –	75,000	75,000	62,500 – –	P. £. 12,500. of this amount was returned to shareholders on 31st May 1867.
15	Crimble Spinning Company, Limited	22 Nov. 1859	19 Feb. „	30,000	24,000 – –	18,000	18,000 9 Feb. 1876	18,000 – – 9 Feb. 1876.	This Company further reduced its capital. *See* 66.
16	Fairbairn Engineering Company, Limited.	16 Jan. 1864	27 Feb. „	250,000	116,100 – –	150,000	150,000 21 May 1875	116,100 – – 21 May 1875.	
17	Dunaburgh and Witepsk Railway Company, Limited.	2 June 1863	11 Mar. „	2,600,000	2,080,000 – –	2,076,060	2,076,160	2,076,160 – –	
18	Port Phillip and Colonial Gold Mining Company, Limited.	5 Nov. 1868	5 April „	500,000	97,500 – –	200,000	200,000	97,500 – –	
19	Bankhall Oil and Chemical Works, Limited.	22 Feb. 1866	4 May „	60,000	25,618 10 –	30,000	60,000	40,571 – –	
20	General Iron Screw Collier Company, Limited.	19 Mar. 1852	13 May „	165,000	142,461 – –	120,000	120,000	104,946 – –	

RETURN of the Companies which have Reduced their Capital—*continued*.

No.	NAME OF COMPANY.	Date of Registration of Company.	Date of Registration of Reduction of Capital.	Amount of Capital before Reduction.		Nominal Capital as Reduced.	Present Capital.		
				Nominal.	Paid up.		Nominal.	Paid up.	
				£.	£. s. d.	£.	£.	£. s. d.	
21	Channel Steamship Company, Limited	6 Sept. 1865	19 May 1869	240,000	21,499 10 –	80,000	80,000	21,564 10 –	
22	British India and Colonial Trust and Agency Corporation, Limited.	21 Jan. „	29 June „	500,000	2,010 – –	312,500	312,500 3 Nov. 1873.	4,719 – – 3 Nov. 1873.	Wound up.
23	East London Bank, Limited - -	2 Oct. 1863	29 June „	2,000,000	100,000 – –	1,000,000	1,000,000	100,000 – –	Name changed to the Central Bank of London, Limited, 29th January 1869.
24	General Bank for the Promotion of Agriculture and Public Works, Limited.	12 Jan. 1865	6 Aug. „	12,000,000	845,034 – –	1,000,000	1,000,000	942,114 – –	
25	Aerated Bread Company, Limited -	28 Oct. 1862	9 Aug. „	500,000	88,600 – –	123,600	123,600	92,378 – –	
26	Lancaster Shipowners' Company, Limited.	27 April 1865	30 Aug. „	250,000	105,120 – –	187,500	187,500	103,910 – –	
87	West of England Sack Company, Limited.	8 April 1864	11 Feb. 1870	60,000	16,500 – –	30,000	30,000	16,500 – –	
28	South Wales and Cannock Chase Coal and Coke Company, Limited.	5 July 1861	18 Feb. „	40,000	12,000 – –	16,000	16,000	12,000 – –	
29	Estate Company, Limited - -	24 Feb. 1864	11 Mar. „	1,000,000	103,820 – –	250,000	250,000	125,000 – –	
30	Italian Land Company, Limited -	13 June 1864	17 Mar. „	1,500,000	100,000 – –	200,000	200,000	100,000 – –	
31	Telegraph Construction and Maintenance Company, Limited.	7 April „	20 June „	1,000,000	747,000 – –	448,200	448,200	448,200 – –	
32	Titanic Steel and Iron Company, Limited.	22 Oct. 1862	22 June „	360,000	53,620 – –	172,000	172,000 14 Mar. 1871.	97,547 10 – 14 Mar. 1871.	Wound up.
33	Muntz's Metal Company, Limited -	19 Dec. 1863	19 July „	600,000	243,775 – –	320,000	320,000	178,777 10 –	
34	Reuter's Telegram Company, Limited	20 Feb. 1865	8 Aug. „	250,000	225,000 – –	80,000	80,000	72,000 – –	
35	Pacific Mining Company, Limited -	7 Dec. 1869	11 Aug. „	150,000	150,000 – –	105,000	105,000 17 Mar. 1873	105,000 – – 17 Mar. 1873.	Winding, or wound up.
36	Gresham House Estate Company, Limited.	14 May 1857	13 Aug. „	240,000	120,000 – –	120,000	120,000	120,000 – –	
37	Warrant Finance Company, Limited -	1 Mar. 1864	24 Aug. „	2,000,000	236,208 – –	240,000	240,000 12 Feb. 1872.	237,408 – – 12 Feb. 1872.	Wound up. Originally Warrant Banking Company, Limited.
38	Picksley, Sims, & Company, Limited	22 Dec. „	27 Oct. „	200,000	69,999 – –	100,000	100,000	80,000 – –	
39	Mersey Steel and Iron Company Limited.	3 Aug. „	7 Feb. 1871	500,000	459,875 13 7	240,000	240,000	200,233 3 7	Second Reduction. *See* also No. 6.
40	Credit Foncier of England, Limited -	16 Aug. 1866	8 Feb. „	2,000,000	1,996,422 8 6	1,000,000	1,500,000	1,488,896 18 –	Now called Credit Company, Limited.
41	Delhi and London Bank, Limited -	13 July 1865	14 Mar. „	1,000,000	337,625 – –	500,000	500,000	337,625 – –	
42	Thomas Hoyle & Sons, Limited -	1 April „	6 May „	200,000	110,000 – –	150,000	150,000	110,000 – –	
43	Hewett & Company, Limited - -	22 Aug. 1864	15 May „	250,000	141,967 10 –	87,500	87,500	87,500 – –	
44	M'Connel & Company, Limited -	28 Dec. „	25 July „	250,000	125,000 – –	175,000	175,000	125,000 – –	
45	William Renshaw & Company, Limited.	27 April 1866	3 Aug. „	300,000	117,225 – –	210,000	210,000	177,463 – –	
46	Central American Association, Limited	20 Mar. „	6 April 1872	150,000	19,250 – –	30,000	30,000	21,419 15 –	
47	West India and Pacific Steam Ship Company, Limited.	23 Nov. 1863	12 Aug. „	625,000	472,000 – –	435,000	435,000	320,000 – –	Second Reduction. *See* also No. 12.
48	Evan, Leigh, Son & Company, Limited	23 Sept. 1864	25 Feb. 1873	150,000	161,236 – –	72,000	72,000	96,383 – –	

49	Imperial Credit Company, Limited -	14 July 1871	12 May 1873	1,000,000	411,862 10 –	750,000	750,000	437,422 10 –	
50	Railway Steel and Plant Company, Limited.	30 Nov. 1863	19 May „	200,000	175,855 – –	150,000	195,900	156,920 – –	Originally Manchester Railway Steel and Plant Company, Limited.
51	Aberdaunant Lead Mining Company, Limited.	9 Dec. 1869	19 July „	75,000	1,293 5 –	15,000	40,000	32,249 1 4	
52	Railway Carriage Company, Limited	8 Mar. 1862	15 Aug. „	225,000	135,000 – –	150,000	150,000	150,000 – –	
53	Union Marine Insurance Company, Limited.	15 Jan. 1863	25 Aug. „	2,060,000	203,200 – –	824,000	824,000	203,200 – –	
54	General Mining Association, Limited	16 Aug. 1869	16 Feb. 1874	550,000	549,380 – –	274,690	274,690	247,221 – –	
55	Yorke Peninsula Mining Company, Limited.	16 Sept. 1864	2 April „	150,000	74,946 10 –	75,000	115,000	84,346 3 2	
56	Yorkshire Engine Company, Limited	12 May 1865	4 Aug. „	200,000	187,875 – –	170,000	170,000	158,250 – –	
57	British and Foreigh Exchange and Investment Bank (Englisches Bank Und Weschler Geschäft), Limited.	15 Jan. 1872	6 Aug. „	1,000,000	500,000 – –	300,000	300,000	300,000 – –	Winding up.
58	London Bank of Commerce, Limited	24 Dec. „	20 Jan. 1875	1,000,000	250,085 – –	250,130	250,130 11 May 1876	250,130 – – 11 May 1876.	Wound up.
59	Berlin Phosphate Sewage and Manure Company, Limited.	22 Jan. „	1 April „	300,000	99,259 – –	70,300	70,300	68,589 – –	
60	Northumberland Steam Shipping Company, Limited.	23 Mar. 1866	16 June „	140,000	108,000 – –	84,000	84,000	64,800 – –	
61	Improved Wood Pavement Company, Limited.	28 Nov. 1872	1 July „	200,000	88,880 – –	100,000	100,000	89,410 – –	
62	Fore-street Warehouse Company, Limited.	24 Mar. 1864	8 July „	600,000	420,000 – –	480,000	480,000	420,000 – –	
63	English and Foreign Credit Company, Limited.	22 Dec. 1866	24 Dec. „	300,000	87,248 – –	200,000	200,000	87,506 – –	
64	Heywood, Higginbottom, Smith, and Company, Limited.	5 April 1864	13 May 1876	250,000	202,230 – –	172,500	172,500	151,672 10 –	
65	City Offices Company, Limited -	17 Mar. „	21 Aug. „	1,000,000	650,759 1 7	680,120	680,120	650,796 11 7	
66	Crimble Spinning Company, Limited	22 Nov. 1859	22 Aug. „	18,000	18,000 – –	13,500	13,500	13,500 – –	*See* also previous reduction, No. 15.
67	National Arms and Ammunition Company, Limited.	24 Jan. 1872	14 Mar. 1877	350,000	332,775 – –	45,000	245,000	56,620 – –	
68	London Taverns Company, Limited -	7 Oct. 1863	27 April „	120,000 12 Mar. 1877	66,000 – – 12 Mar. 1877	60,000	- - -	- - -	Originally London Tavern Company, Limited.
69	Ytteröen Mining Company, Limited -	29 Dec. „	28 May „	60,000 Capital, 1877	60,000 – – Capital, 1877.	51,000	No Return since reduction.		
70	Nerbudda Coal and Iron Company, Limited.	2 Mar. 1860	11 June „	250,000 22 May 1877	100,219 10 – 22 May 1877.	150,000			
71	Samuel Dewhurst & Company, Limited.	9 June 1865	12 June „	150,000 31 May 1876	83,400 – – 31 May 1876.	90,000			
			£.	56,093,000	18,146,979 14 11	22,271,200	23,010,605	15,964,926 8 11	

W. H. Cousins, Registrar.

COMPANIES ACTS, 1862—1867.

A STATEMENT of the Number and Total Nominal Capital of the Joint Stock Companies Registered in the United Kingdom under the Companies Act, 1862.

Year of Registration.	Class of Company.								Total for each Year.	Total Nominal Capital for each Year.
	Limited.				Unlimited.					
	By Shares.		By Guarantee.		With Nominal Capital.		Without Nominal Capital.			
	Old.	New.	Old.	New.	Old.	New.	Old.	New.		
										£.
1862 (30 Oct. to 31 Dec.)	5	86	1	–	64	1	8	–	165	57,017,120
1863 - - - -	12	748	–	2	13	10	3	2	790	139,988,242
1864 - - - -	11	967	–	3	9	5	2	–	997	237,437,083
1865 - - - -	9	992	–	10	10	8	–	5	1,034	205,391,818
1866 - - - -	6	738	–	8	2	6	–	2	762	76,824,823
1867 - - - -	5	450	–	5	6	11	–	2	479	31,444,982
1868 - - - -	9	434	–	3	4	7	2	2	461	36,527,702
1869 - - - -	4	453	–	5	7	5	–	1	475	*141,274,251
1870 - - - -	6	567	–	9	4	7	1	1	595	38,252,374
1871 - - - -	9	785	1	16	3	5	1	1	821	69,528,316
1872 - - - -	10	1,080	–	17	3	5	–	1	1,116	133,041,395
1873 - - - -	2	1,205	–	8	15	2	–	2	1,234	152,056,545
1874 - - - -	9	1,192	–	11	17	5	1	6	1,241	110,540,063
1875 - - - -	10	1,125	–	17	13	5	–	2	1,172	82,447,180
1876 - - - -	5	948	–	45	–	2	1	62	1,063	48,144,827
1877 (1 Jan. to 31 May) †	1	458	–	10	–	–	–	5	474	30,264,136
Grand Total - - -	113	12,228	2	169	170	84	19	94	12,879	1,590,180,857

* In this year (1869) a company, registered with 100,000,000 *l.* nominal capital, but its paid-up capital does not appear, according to the annual statement filed at this office, ever to have exceeded 200 *l.*

† This would give an average for the present year of 1,137 companies, with a total nominal capital of 72,633,926 *l.*

13 June 1877.

W. H. Cousins,
Registrar.

JOINT STOCK COMPANIES ACTS, 1856–58, and COMPANIES ACTS, 1862 and 1867.

A STATEMENT of the Nominal and Paid-up (or considered to be Paid-up) CAPITAL of all COMPANIES registered in *England* (not including Companies registered at *Truro*), as given in their latest Returns; distinguishing the Capital of COMPANIES which appear to be still in existence from that of the COMPANIES which are no longer carrying on Business, and that of the COMPANIES about which the Office has no information, but which are believed to have been mainly abortive.

YEAR OF REGISTRATION.	Companies which appear to be still in existence.		Companies no longer carrying on Business.		Abortive Companies, and Companies about which the Office has no Information.	
	Nominal (*a*) Capital.	Paid-up Capital.	Nominal (*a*) Capital.	Paid up Capital.	Nominal (*a*) Capital.	Paid-up Capital.
	£.	£.	£.	£.	£.	£.
1856	13,888,793	9,172,031	15,392,488	6,795,329	3,681,626	1,016,686
1857	3,867,581	3,610,764	17,623,738	5,808,515	4,908,649	293,743
1858	4,275,197	3,706,623	24,645,065	4,451,961	5,678,350	602,892
1859	5,891,380	4,624,579	6,921,294	1,570,076	2,819,654	431,329
1860	6,629,555	3,760,083	12,004,940	3,888,997	3,760,850	257,547
1861	6,742,143	2,676,437	14,786,750	2,156,590	4,800,560	1,097,813
1862 (to 1st November)	36,120,460	16,810,187	21,985,820	4,567,830	6,193,597	704,021
TOTAL of Companies *not* registered under Companies Acts, 1862 and 1867	77,365,109	44,360,704	113,360,095	29,239,298	31,843,286	4,404,031
1862 (from 3rd October)	12,934,675	3,435,875	5,711,239	1,462,229	10,365,700	108,280
1863	35,306,445	13,958,244	71,040,550	11,312,834	33,795,450	540,689
1864	56,904,615	30,821,537	48,830,354	18,776,116	143,429,310	1,831,585
1865	37,467,810	19,165,209	86,390,225	9,597,599	76,723,795	3,162,942
1866	31,220,045	18,269,781	23,502,899	5,374,798	16,668,100	741,097
1867	13,355,382	9,029,432	11,859,856	1,907,987	7,561,287	526,068
1868	10,863,011	6,175,988	11,421,205	3,818,952	11,833,429	690,360
1869	13,290,797	4,767,097	20,970,400	7,374,288	107,220,000	337,708
1870	16,468,820	10,378,749	17,892,074	4,500,802	7,943,359	799,808
1871	39,608,719	20,763,347	16,713,437	4,531,043	11,398,600	777,961
1872	65,875,698	36,225,215	32,413,486	6,248,832	27,105,350	1,003,735
1873	88,191,186	42,458,499	27,175,954	6,321,955	35,063,794	350,110
1874	69,063,581	25,675,491	16,873,625	2,164,580	17,638,396	95,817
1875	72,816,583	15,179,314	6,708,176	392,386	—	—
1876	39,577,390	5,767,297	2,235,000	148,088	—	—
1877 (to 12th June)	25,134,986	676,667	20,000	—	—	—
TOTAL £.	705,444,852	307,108,446	513,118,575	113,171,787	538,589,856	15,370,251

	Nominal (*a*).	Paid-up.
	£.	£.
TOTAL CAPITAL of Companies existing at present time	705,444,852	307,108,446
" " " which have ceased to exist	513,118,575	113,171,787
" " " which proved abortive, &c.	538,589,856	15,370,251
TOTAL £.	1,757,153,283	435,650,484

(*a*) The *present* nominal capital, as altered by increases or reductions since registration, is given throughout.

14 June 1877.

W. H. Cousins.

Appendix, No. 2.

PAPER handed in by Mr. *Price*, 25 June 1877.

Appendix, No. 2

REGULATION as to the mode of remunerating OFFICIAL LIQUIDATORS, adopted by the Master of the Rolls and the Vice Chancellors, and sanctioned and approved by the Lord Chancellor.

Every application by an official liquidator for remuneration must be supported by an affidavit showing the number of hours devoted by him and his clerks respectively to the business of the liquidation.

In fixing the amount of the remuneration, the judge will, subject as hereinafter mentioned, be guided by the following scale :—

LIQUIDATORS.

			Per day of eight hours.
			£.
Group A.	Class 1	Where the assets divisible among the unsecured creditors shall not amount to - - - - - £. 500	1
	„ 2	Where they shall amount to £. 500 and not to 2,000	2
	„ 3	„ „ „ 2,000 „ 5,000	3
Group B.	„ 4	„ „ „ 5,000 „ 10,000	4
	„ 5	„ „ „ 10,000 „ 50,000	6
Group C.	„ 6	„ „ „ 50,000 „ 100,000	8
	„ 7	„ „ „ 100,000 „ 500,000	10
	„ 8	„ „ „ 500,000 and over - - -	12

CLERKS.

	1st Class.	2nd Class.	3rd Class.
	s. d.	*s. d.*	*s. d.*
Group A. - - -	2 –	1 6	1 – per hour.
Group B. - - -	3 –	2 6	1 – „
Group C. - - -	3 6	2 6	1 – „

If in the special circumstances of any liquidation it shall at any time, or from time to time appear to the judge that it is proper to place it on a higher or lower class, he will so place it accordingly.

If it shall appear to the judge that in the special circumstances of any liquidation it is proper to add to or deduct from the amount of remuneration provided by the scale, he will make such addition or deduction accordingly.

If during the progress of a liquidation it shall appear to the judge expedient so to do, he will sanction payments to the liquidator on account of his remuneration.

For this purpose the judge will estimate the amount of such remuneration as well as circumstances will admit, and will pay to the liquidator either the whole of such estimated remuneration, or such part thereof as to the judge shall seem reasonable.

Appendix, No. 3.

LETTER from the President of the Institute of Accountants to the Chairman of the Committee. Appendix, No. 3.

The Institute of Accountants,
3, Copthall Buildings, Throgmorton-street, E. C.,
London, 24 July 1877.

Sir,

In consequence of the evidence given by Mr. Newmarch, in his examination before the Select Committee on the Companies Acts, 1862 and 1867, to the effect that the sums of undistributed assets in the hands of liquidators amount to "millions sterling," and that as a general rule no notice whatever is given to creditors of the declaration of dividends, the Institute of Accountants considered it desirable to obtain from the Fellows of that Institute a return of undistributed assets under the sole and uncontrolled disposition of their firms, or of any member of such firms belonging to companies in liquidation under their, or his charge; and, further, to inquire whether it is their practice to give notice to creditors of the declaration and payment of dividends.

The result of their inquiry is that on the 30th of June last the aggregate amount of the undistributed assets was 66,487 *l.* 18 *s.* 10 *d.*, and the amount of unclaimed dividends was 3,596 *l.* 10 *s.* 9 *d.*

The reply to the question as to the notice of the declaration and payment of dividend in every case has been that such notice is invariably given.

I am desired by the Council of the Institute to ask you to cause this communication to be placed before the Committee, and recorded with the evidence.

I have, &c.
(signed) *W. Turquand,*
President.

To the Right Honourable Robert Lowe, M.P.,
&c. &c. &c.

INDEX.

ANALYSIS OF INDEX.

LIST of the PRINCIPAL HEADINGS in the following INDEX, with the Pages at which they may be found.

PAGE

ACCOUNTS (Joint Stock Companies) - - - 185
ASSETS AND UNCLAIMED DIVIDENDS - - - 186
Balance Sheets - - - - - - - - 187
Bankruptcy Court - - - - - - - - 187
CAPITAL - - - - - - - - - 188
Chancery, Court of - - - - - - - 190
Companies Acts Amendment (No. 2) Bill - - - 192
Cost of Liquidation - - - - - - - 192
Debentures and Mortgages - - - - - 194
Directors - - - - - - - - 195
Fraud - - - - - - - - - 196
Legislation - - - - - - - - 199
Limitation of Liability - - - - - - 199

LIQUIDATION (APPOINTMENT AND REMUNERATION OF LIQUIDATORS):
1. *As to the Appointment of Liquidators in Compulsory and in Voluntary Liquidations* - - - - - - 199

PAGE

LIQUIDATION (APPOINTMENT AND REMUNERATION OF LIQUIDATORS)—continued.
2. *As to the Establishment of a Staff of Liquidators, who should be Salaried Officers of the Court of Chancery* - 200
3. *As to the System and Amount of Remuneration* - - - - - - - 200
4. *As to the Working generally of the present System of Liquidation, and the Amendments required* - - - 201

Memorandum and Articles of Association - - - 204
Overend, Gurney, & Co. - - - - - - - 208
Penalties - - - - - - - - - 208
PROMOTION AND FORMATION OF COMPANIES - 211
PROSPECTUS (DISCLOSURE OF CONTRACTS, &c.) - 211
Public, The - - - - - - - - - 212
Qualification of Directors - - - - - - 213
Reduction of Capital - - - - - - - 213
Registration - - - - - - - - - 213
Returns (Registration) - - - - - - 214
Solicitors - - - - - - - - - 214
Voluntary Liquidation - - - - - - 216

I N D E X.

[*N.B.*—In this Index the *Figures* following the Names of the Witnesses, and those in the Analysis of Evidence of each Witness, refer to the Questions in the Evidence; the *Figures* following *App.* refer to the Pages in the Appendix; and the Numerals following *Rep.* to the Pages in the Report.]

A.

ACCOUNTANTS. See *Liquidation.*

Accounts (*Joint Stock Companies*). Approval on the whole of the form of account which, under the Amendment Bill, it is proposed to make obligatory to be rendered by public companies; belief that the proposed form would apply substantially to all companies, *Newmarch* 258-261. 275-286——Further evidence as to the advantage in prescribing the forms of accounts applicable to trading companies; opinion that this would not have the effect of removing responsibility from the directors, *ib.* 709–714. 718, 719——Desirability of making the liability to file accounts retrospective as regards existing companies, *ib.* 765–767.

Doubt as to the advantage of specifying a certain form of accounts for all companies trading under the Acts of 1862 and 1867, *Morris* 964.

Expediency of its being obligatory to make accounts and balance sheets more accessible and more public, *Price* 1192-1200——Inexpediency of the directors being required to furnish accounts in a particular form, without providing that all necessary information shall be given, *ib.* 1317——Expediency of periodical accounts properly audited and certified, *ib.* 1321–1323.

Doubtful expediency of requiring that a report, balance sheet, and profit and loss statement should be published, *Church* 1832, 1833. 1882–1884.

Advocacy of the provisions in witness' Bill as to the rendering of accounts and balance sheets, *Chadwick* 1947. 1957–1961. 1974–1980. 2060–2069.

Exceptions taken Clause 7 in the Amendment Bill on the subject of accounts, and their compulsory issue to the shareholders, *Sir G. Jessel* 2192——Conclusion as to the uselessness of prescribing any form of accounts or balance sheet as a protection against fraud or deception; illustrations to this effect, *ib.* 2192–2195. 2241, 2242. 2265.

See also *Balance Sheets.*

Accounts (*Liquidation of Companies*). Absence of any provision in the Companies Acts requiring accounts to be rendered by liquidators from time to time, except in compulsory liquidations; accounts in these liquidations filed in the court, *Turquand* 425-431. 445, 446——Desirability of statutory power in order to require that in all cases of liquidation accounts shall be rendered periodically by the liquidator, *ib.* 609, 610——Suggestion that periodical or annual accounts be sent to the parties interested, showing the progress of the liquidation, *Price* 1058. 1318.

Considerable expense if it were compulsory for liquidators to render half-yearly reports of proceedings to the creditors, *Church* 1835——Means at present for compelling liquidators to pass their accounts, *Sir G. Jessel* 2270, 2271.

See also *Assets, &c.*

Agra and Masterman Bank. Comment upon the excessive liquidation charges in the case of this bank; obstacles to any effectual check, *Morris* 872, 873. 943-951. 971——Claim on the part of the liquidator for some 25,000 *l.* which was settled at about 9,000 *l.*, *ib.* 873. 930, 931.

Report, 1877—*continued.*

Albert Insurance Company. Great complications to be dealt with when large companies fail, as in the case of the Albert Life Office, *Morris* 808. 810——Regret expressed by the judge as to the signing of the winding-up order in the Albert case, *ib.* 810——Very heavy costs of the liquidators in this case, *ib.* 952–959.

Explanation of the practice as to security when official liquidators have the management of large assets, such as those of the Albert and European Insurance Offices; very large amounts which passed through the hands of witness' firm in these cases, *Price* 1141–1156—— Particulars relative to the costs of liquidation in the case of the Albert Company; immense increase of expense if the liquidation had been continued, instead of the case being referred to arbitration, *ib.* 1291–1293. 1354–1369——Expenses of the company to the amount of 60,000 *l.* a year previous to the winding-up; enormous sum paid by the company for amalgamation, *ib.* 1293. 1377–1380.

Allotment of Shares. Considerable abuse at present in an allotment being binding, although only a very small portion of the capital has been really applied for; amendment suggested, *Newmarch* 340, 341——Advantage in the payment on allotment bearing a large proportion to the total amount of the shares, *Sir R. Malins* 2446–2448.

See also *Capital.*

Amalgamations. Approval of voluntary winding-up without supervision in cases of amalgamation, &c., *Price* 1179–1184.

Annual Meetings. Approval of Clause 8 of the Amendment Bill, which requires that every company shall call an annual meeting, and present a report of their proceedings to the shareholders, *Harding* 1495. 1701–1704.

Appeals. Less delay in liquidation by some restrictions on appeals, *Price* 1371–1373.

Articles of Association. See *Memorandum and Articles of Association.*

Assets and Unclaimed Dividends:

Abuses which arise in the winding-up of companies on account of there being no effectual supervision; the result is that it is very generally asserted that at present the undistributed assets in the hands of liquidators, trustees, and others, amount to millions sterling, *Newmarch* 272. 362–368.

Assertion that the statement in regard to very large sums remaining in the hands of the trustees in liquidation is not correct; creditors would not allow any large amount to remain undivided without interfering, *Turquand* 492–496. 571. 684, 685.

Necessity in the case of compulsory liquidation for the money to be paid into the Bank of England, *Turquand* 551——Statement that in voluntary liquidations the money remains in the hands of the liquidator, and without security being given; admission that in these cases the money is to a certain extent in jeopardy, *ib.* 552–556. 575–579. 683–693——Doubtful advantage of paying into court all sums received under every liquidation; considerable difficulties which would arise in withdrawing them when required, *ib.* 585, 586. 591–593.

Additional statement with reference to the large sums in the hands of liquidators throughout the country, unclaimed by creditors, *Newmarch* 763, 764.

Objection to a proposal as regards the paying in of money to the court under voluntary liquidations, *Morris* 814——Occasional advances of witness out of his own funds in order to increase the value of the assets; nature of his security in such cases, *Price* 1053–1057. 1071–1083. 1097–1099——Instances of witness having greatly increased the value of the assets by not attempting at once to sell the property, but by holding it over and developing it, *ib.* 1053–1057. 1135–1138——Circumstances under which witness, as liquidator, is now carrying on some iron works in Staffordshire with his own money, *ib.* 1055–1057. 1097–1099.

Inaccuracy of a statement that liquidators hold very large sums in their hands, or mix up the moneys realised in liquidations with their own moneys; explanation hereon of the practice of witness' firm in distinguishing between the accounts at the bank to which receipts are paid, *Price* 1058–1060. 1062. 1101–1104. 1215–1237.

Denial that it is the practice of liquidators to pay assets to their own credit at the bank, *Price* 1058–1060. 1101–1103——Approval of some check in regard to the power of the liquidator in voluntary cases as to drawing the money from the bank; very rare instances of any default of liquidators, *ib.* 1067–1070. 1139, 1140——Official check as regards drawing out money in compulsory liquidation, *ib.* 1069. 1104.

Limited extent to which unclaimed dividends remain for any time in the hands of liquidators, *Price* 1227–1237——Effectual checks upon the liquidator in compulsory cases retaining large balances in his hands or in his private account at the bank, *ib.* 1275–1281.

Opinion

Assets and Unclaimed Dividends—continued.

Opinion that it is impossible that sums amounting to millions are lying unclaimed or undistributed; belief that the total amount now in possession of liquidators does not exceed 20,000 *l.*, *Harding* 1424-1426. 1657-1660——Return made annually to Parliament of the amount of unclaimed dividends; facility in requiring this return to include full particulars respecting the assets of companies in liquidation, *ib.* 1426. 1511-1514——Explanation that the Bank of England will not open an account for a liquidator in the name of a company unless it be a compulsory liquidation or a liquidation under supervision, *ib.* 1426.

Impossibility of large accumulations of money remaining in the hands of official liquidators; rule that the money must be paid into the bank within seven days of its receipt, *Church* 1854-1859——Numerous instances in which the Court has given permission to liquidators to sell unrealised assets by auction, *ib.* 1907-1909.

Great difficulty in realising outstanding assets; hence the delay in closing the accounts, *Sir G. Jessel* 2341. 2360, 2361.

Letter from Mr. Turquand as resident of the Institute of Accountants, explaining (in correction of certain evidence of Mr. Newmarch) that the aggregate amount of undistributed assets on 30th June 1877 was 66,487 *l.* 18 *s.* 10 *d.*, and the amount of unclaimed dividends was 3,596 *l.* 10 *s.* 9 *d.*, *App.* 181.

See also *Calls.*

Auctioneers. Belief as to the entire inaccuracy of a statement that official liquidators demand commission from auctioneers, *Price* 1287-1290.

Auditor's Certificate. Exceptions taken to the proposed form of the auditor's certificate, *Price* 1313-1317——Advantage of the enlarged certificate by the auditor under the Amendment Bill, *Chadwick* 1947.

B.

Balance Sheets. Advantage in requiring companies, under a penalty, to register their printed balance sheets; explanation that this registration would more than pay for the extra clerical staff necessary by reason of the 5 *s.* fee for filing, *Cousins* 91. 201-205——Approval of requiring the issue of a report and balance sheet to each shareholder in a joint stock company; expediency of these being sent to the shareholders at least ten days before the meeting of the company, *Turquand* 470-483——Decided advantage in having the balance sheet of all joint stock companies registered, notwithstanding the fact that in some individual instances the accounts might be dishonest; belief that such registration would not be injurious in any way to solvent companies, *Newmarch* 719. 731-757.

Grounds for the suggestion that under certain circumstances the requirement as to publishing a balance sheet may be departed from, *Morris* 907——Approval of the balance sheet being furnished to the shareholders, though under certain conditions there might be power for withholding it, *ib.* 965. 993-996——Unwise restriction by requiring the balance sheet to be sent to the registrar of joint stock companies so that it may be made public; great hardship in exceptional cases, *ib.* 966, 967. 976-978. 993-998.

Suggestions relative to the proposals in the Bill on the subject of the balance sheet and the particulars to be set forth therein, *Price* 1304-1308——Expediency of a prescribed form of balance sheet to be sent to each shareholder; preference for the balance sheet prescribed by a former Act to that set out in the present Bill, *Harding* 1486, 1487. 1494. 1607-1613. 1644, 1645.

Great importance of companies being bound to furnish accounts and balance sheets, as laid down in Clause 7 of witness' Bill; the balance sheet might be dispensed with by a vote of the shareholders, *Chadwick* 1947. 1957-1961. 1974-1980. 2060-2069——Approval of empowering the shareholders to enforce the publication of the balance sheet and the report, *ib.* 1947. 1975.

Grounds for objecting to Clause 8 in the Bill as regards the issue or deposit of a balance sheet within a certain time, *Sir G. Jessel* 2192, 2193. 2253-2256. 2331, 2332——Importance of the balance sheet being sent to every shareholder, *Sir R. Malins* 2461, 2462. 2465——Inadequate guarantee for the fulfilment of the provision in the Act of 1862 as to companies exhibiting in their office a balance sheet of their affairs, *ib.* 2574-2579.

Bank of London. Statement as to the compulsory liquidator having been practically superseded in the case of the Bank of London, *Morris* 984.

Bankruptcy Court. Grounds for the recommendation that the duty of liquidation might be undertaken by a competent bankruptcy court, a judge of superior rank being selected to preside, *Newmarch* 272-274. 305-308. 358-368.

Practice as to the appointment of a committee of creditors in bankruptcy cases; approval of the present law of bankruptcy as regards personal failures, *Turquand* 412-417. 497-502——Possible advantage in transferring the whole of the liquidations to the 365.

Report, 1877—*continued.*

Bankruptcy Court—continued.

Bankruptcy Court; circumstances under which it would, however, be invidious to put companies, which are winding up, into bankruptcy, *Turquand* 457–459. 594. 626–634.

Exceptions taken to the administration of bankruptcy business, and of winding-up business, by the same court or department, *Morris* 841–843——Decided objection to a transfer of winding-up cases to the Court of Bankruptcy; reference hereon to the diverse decisions of the Registrars in Bankruptcy, *Price* 1061. 1282, 1283——Approval of an assimilation of the practice in Chancery to that in Bankruptcy, as regards certain details in connection with rent, salaries, &c., *ib.* 1201–1209.

Evidence in favour of the business of winding-up insolvent cases being transferred to the Court of Bankruptcy; suggestions as to the appointment of a judge for this special business, *Church* 1756–1768. 1772–1780. 1815, 1816. 1839, 1840. 1846. 1872–1875.

Change for the worse rather than the better by transferring liquidation to the Court of Bankruptcy, *Sir G. Jessel* 2198, 2199——Grounds for objecting to the winding-up of companies taking place in the Court of Bankruptcy, *Sir R. Malins* 2505.

C.

Calls (*Unpaid Capital*). Circumstances under which the Court has refused to sanction a compromise with a shareholder in respect of calls unpaid, *Harding* 1674–1677 —— Obligation upon the shareholders in a company which is wound-up to pay the immediate calls, for the satisfaction of liabilities, subsequently receiving the assets when realised, *Church* 1819–1822.

Objection to empowering the liquidator to compromise with shareholders for unpaid calls; instance in which calls amounting to 30,000 *l.* have been made upon a single shareholder, *Church* 1877–1880——Approval of the sanction of the chief clerk before compromise, *ib.* 1880.

Canadian Oil Wells Corporation. Inducements unsuccessfully offered to witness' firm to take up this concern, *Chadwick* 2114–2116.

Capital:

Approval of an allotment not being binding unless a certain proportion of the capital is subscribed, *Newmarch* 340. 370——It is not necessary to make it incumbent that every share should be taken before the company is registered, *ib.* 340, 341.

Discontinuance of the former system of bringing out companies with a very small portion of capital paid up, *Turquand* 432–434; *Price* 1253. 1353——Decided opinion that no company should be permitted to commence business until the whole of the capital named in the prospectus is subscribed, and a certain proportion actually paid up; in Paris 40 per cent. must be paid up before commencing business, *Turquand* 438–444. 465, 466. 503–505. 537–541. 611–613.

Approval of the proposal that unless two-thirds of the capital is subscribed, the company shall not be established, *Morris* 904——Obstacle to the capital being subscribed before the company is registered, *ib.* 968——Difficulty in preventing companies being brought out with only a very small portion of their capital paid up, *ib.* 969. 990, 991 ——Undue limitation of the number of companies, if it were obligatory that a large portion of the share capital should be paid up on application, *ib.* 991.

Expediency of not less than 90 per cent. of the capital being subscribed, before applications for shares are binding, *Price* 1245–1258. 1298, 1299——Check to the formation of bubble companies, by requiring the whole of the capital to be subscribed, and a certain portion paid up in the first instance, *ib.* 1381, 1382.

Approval of prohibiting the registration of a company, unless a certain proportion of the proposed capital has been paid up; belief that this would not prevent the formation of any *bonâ fide* company, *Harding* 1429–1436. 1542–1546. 1614–1616. 1630–1657. 1662–1664——Non-objection to Clause 5 in the Amendment Bill, which requires that two-thirds of the capital must be paid up, *ib.* 1482, 1483——Desirability of giving power to extinguish paid-up capital when necessary, upon condition that it is fully set out in the accounts, *ib.* 1496, 1497.

Advantage of a proviso that three-fourths, or even 90 per cent., of the capital should be subscribed before any company is established, *Chadwick* 1945, 1946. 1952, 1953.

Objection to the proposal in the Amendment Bill that a certain portion of the capital of new companies must be actually subscribed, *Sir G. Jessel* 2190, 2191.

Suggestion that each company be obliged to call up at least half its capital, *Sir R. Malins* 2363. 2365——Frequent evil and public loss through the directors of new companies commencing business with an amount of capital altogether inadequate; instances of this abuse, *ib.* 2380–2390——Suggestion that directors who commence business

Report, 1877—*continued.*

Capital—continued.

business without a certain proportion of capital in hand should be liable for the debts of the company, *Sir R. Malins* 2380. 2385–2389. 2541, 2542.

Opinion that one-third of the capital should be paid up before business can be commenced, *Sir R. Malins* 2419–2428. 2471——Facility of ascertaining from the banker's pass-book what amount of capital is paid up, *ib.* 2479, 2480——Exception taken to the proposal that no company shall commence business until two-thirds of the capital is subscribed, *ib.* 2552–2554.

Form of notice of increase of capital, *App.* 166.

Form of statement as to the capital of any company, *App.* 172.

Statement showing the nominal capital of the companies registered in each year since 1862 under the Act of that year; aggregate of 1,590,180,857 *l.*, *App.* 178.

Statement of the nominal and paid-up capital of all companies registered in England in each year since 1856, distinguishing between companies still in existence, companies which no longer carry on business, and abortive companies, *App.* 179.

See also *Debentures and Mortgages. Reduction of Capital.*

Cash Payment of Shares. Satisfactory working of the 25th section of the Act of 1867 as regards payment for the whole amount of the shares in cash, *Sir G. Jessel* 2272–2274——Expediency of shareholders as well as directors being required to pay, either in money or money's worth, for all shares held by them, *Sir R. Malins* 2586–2590.

Certificate of Incorporation. Forms of application for a certificate of incorporation under the Act of 1862, *App.* 168–171.

Chadwick, David (*Member of the Committee*). (Analysis of his Evidence.)—Long and extensive experience of witness as a public accountant, 1936——Advocacy of the clauses in the Amendment (No. 2) Bill requiring the full disclosure of all particulars in the formation of new companies, witness submitting that the existing law as to fraud is not sufficient to meet cases which arise under the Acts of 1862 and 1867; 1936–1944——Decided approval of the principle of the Act of 1867, and of the 38th section in an amended form; respects in which defective, 1937–1940.

Conclusion that no prejudice would be caused to any company if the particulars required by witness' Bill were enforced by law, 1944——Advantage of a proviso that three-fourths, or even ninety per cent., of the capital should be subscribed before any company is established, 1945, 1946. 1952, 1953.

Expediency of furnishing every person who takes shares in a company with a list showing the names of every shareholder, and the number of shares taken by each allottee, 1946, 1947——Importance of companies being bound to furnish accounts and balance sheets, as laid down in Clause 7 of the Bill; circumstances under which the balance sheet might be dispensed with, 1947. 1957–1961. 1974–1980. 2060–2069.

Expediency of a certificate by the directors as to the correctness of the balance sheet and the profit and loss statement, 1947——Advantage of the enlarged certificate by the auditors under the Amendment Bill, 1947——Approval of giving the shareholders power to enforce the publication of the balance sheet and the report, 1947. 1975.

Valuable power given by the 9th clause by which the capital of a company may be reduced; instance in the case of the Ebbw Vale Company, in which the Master of the Rolls stated that he had no power to authorise a reduction of capital, 1947. 2026——Desirability that liquidators should be required to submit periodical reports of the business which they have transacted, 1947.

Information respecting the high character of the companies promoted by witness; companies have been floated by his firm to the extent of 40,000,000 *l.* of capital, 1948–1951. 1993–2005——Expediency of limiting the issue of debenture capital by any company to about one-half the amount of the paid-up share capital, 1954–1956.

Definition of the words "special resolution," as used in the 7th clause of witness' Bill, 1962—— Great importance of exacting the fullest particulars possible in the first starting of any company; numerous instances in which important information has not been afforded to the public, 1963–1973.

General charge of one per cent. made by witness for the sale of property, and for the formation of a joint stock company, 1973. 1985. 1988–1990——Re-construction of the Agra and other banks by witness' firm after winding-up, 1981–1984. 1986, 1987——Contention that the practice of finding a director's qualification is fraudulent, 1998. 2019–2022.

Great advantage in limiting the management of joint stock companies to as few persons as possible, 2006–2009——Opinion that an average profit of from six to eight per cent. over a series of years is a very good result for a joint stock company, 2010–2018——

Report, 1877—*continued.*

Chadwick, David, M.P. (Analysis of his Evidence)—*continued.*

Explanation of the word "fraudulent" as used in the Bill; penalties which should be attached to a fraudulent Act, 2022-2025.

Statement of the circumstances which generally influence witness in bringing out companies; refusal of numerous offers of business on account of the terms proposed being unreasonable or ineligible, 2027-2059——Information respecting the issue of the prospectus, which is invariably done before the money is obtained, 2045–2059.

[Second Examination.]—Additional information in regard to the system of witness' firm in the formation of joint stock companies; infrequent instances of these companies failing, 2070-2082. 2110–2116——Explanation as to the means adopted for ascertaining the value of the property which passes through the hands of witness; general distrust of valuers as a body on account of their acting, not independently, but as advocates, 2083-2088. 2093–2101. 2104–2107. 2126–2145. 2153–2155.

Statement that the promoters who are the largest shareholders in a newly formed company do not on that account possess a preponderating influence in the management of its concerns, 2089-2092—— Extent to which the stability of companies is guaranteed by witness' firm, 2101–2103——Absence of charge in the case of companies which are not eventually formed, 2108, 2109—— Inducements unsuccessfully offered to witness' firm to take up the Canadian Oil Wells Corporation, 2114-2116.

Further assertion that finding a qualification for a director is an undoubted fraud, 2117-2119. 2161—— Belief that the want of clearness in the existing Companies Acts has to a great extent given facilities for the formation of unsound companies, 2120.

Advisability of encouraging, under certain circumstances, the conversion of worn-out private firms into vigorous joint stock companies, 2121, 2122 —— Strong temptations, in the shape of high commissions, offered occasionally to financial agents to recommend concerns at an undue valuation to the public, 2123–2125.

Opinion that Parliament cannot be too rigid in enforcing the disclosure to the shareholders of all facts and circumstances connected with property about to be formed into a company, 2130, 2131. 2145——Belief that there are not nearly so many fraudulent failures of private as there are of public companies, 2146–2152 ——Great care taken by witness' firm to investigate the circumstances of every company recommended by them to the public; they are the auditors of nearly every concern which they have formed, 2156-2161.

Belief that if the provisions of the first part of witness' Bill are carried out, the measure will tend greatly to check the creation of fraudulent concerns, 2162–2164—— Decided opinion that all the stipulations in the Bill would not prevent any *bonâ fide* joint stock company being established, 2165.

Further statement as to the expediency of requiring all liquidators to make periodical reports to the shareholders and creditors, and of otherwise improving the practice in the liquidation of companies, 2166.

Chancery, Court of. The main duties in relation to the winding up of companies are undertaken by the Court of Chancery, *Cousins* 3.

Entire unfitness of the present machinery of the Court for dealing with compulsory liquidations, *Morris* 797–799. 808 —— Conclusion that extraordinary powers should be given to the Court for promptly dealing with large cases; such powers to be settled by the Court of Appeal, *ib.* 808–813.

Illustration of the impracticability of administration of company business, save at excessive delay and expenditure, in the chambers of the chief clerks under the present system; entire efficiency, however, of these officials, *Morris* 815, 816. 839, 840 —— Suggestion that the company business exclusively might be dealt with by the chief clerks, sitting continuously for the purpose, *ib.* 816. 835-840——Advantage in the business of winding up being administered by the chief clerks of the Court rather than by the official referees, *ib.* 835–840.

Improvement if winding up cases were dealt with by one judge, with a separate staff of chief clerks, *Price* 1370–1374.

Explanation of the duties of witness, as chief clerk to the Master of the Rolls, in connection with the winding up of joint stock companies, and the appointment of official liquidators, *Church* 1711–1719——Absence of necessity, as a general rule, for referring voluntary liquidations to the Court, *ib.* 1717–1719. 1860, 1861——Opinion that the Court of Chancery should continue to deal with administration cases, insolvent cases being transferred to the Court of Bankruptcy, *ib.* 1759–1768. 1772–1780. 1839, 1840.

Great difficulty in rendering the machinery or process of judicial liquidation more efficient, *Sir G. Jessel* 2198–2207. 2266–2271. 2337–2341.

See also *Compulsory Liquidation. Liquidation. Voluntary Liquidation.*

Church,

Report, 1877—*continued.*

Church, Edmund Boyle. (Analysis of his Evidence.)—Experience of witness, as chief clerk to the Master of the Rolls, in regard to the winding-up of joint stock companies, 1708–1710——Functions of witness in connection with this subject, and questions which come before him; appointment of the official liquidator by the chief clerk, 1711-1719 ——Absence of necessity for referring voluntary liquidations to the Court, as a general rule, 1717–1719. 1860, 1861.

Statement that the system of winding-up under the supervision of the Court is a very costly process, 1720–1725. 1847——Disadvantage of the present arrangements in regard to the relations between the solicitor and the liquidator; suggestions as to a subdivision of their duties, 1726–1743. 1789–1814. 1836–1838. 1841–1844. 1865–1868. 1885–1887.

Information relative to the system of appointment of liquidators by the Court; arrangement that the petitioner who has obtained the carriage of the order to wind-up should be the first to propose an official liquidator, 1730–1737. 1817, 1818. 1862–1864. 1871. 1881. 1903–1906——Difficulties in the way of requiring the solicitor to undertake the duties of liquidator, 1736–1742.

Unsatisfactory character of the present scale of remuneration of liquidators; opinion that unless it be decided to tax their bills, there is no better system than that of paying by the hour, 1744–1757. 1806, 1807. 1848–1853. 1869, 1870——Conclusion as to the expediency of adopting a revised scale of remuneration and a taxed bill, 1750–1757.

Evidence to the effect that the business of winding-up insolvent companies should be undertaken by the Court of Bankruptcy and not by the Court of Chancery; suggestions as to the appointment of a judge for this special business, 1759–1768. 1772–1780. 1815, 1816. 1839, 1840. 1846. 1872–1875.

Unsatisfactory nature of the guarantee for the *bona fides* of a company; this under the existing Act mainly consisting of the signatures of seven persons to the memorandum of association, 1781–1788——Statement that in the administration of private estates, the accountant is practically appointed by the solicitor, 1801–1803.

Practicable advantage in appointing a public officer instead of an official liquidator to collect and distribute assets, 1807, 1808——Belief that the present system of appointing liquidators by the Court has led to "Wrecking," 1817, 1818.

Obligation upon the shareholders in a company which is wound-up to pay the individual calls for the payment of liabilities, they afterwards receiving the assets when realised, 1819–1822——Difficult alternative between the advantage of disclosing all contracts and necessary particulars, and the prejudice which may be caused by such disclosures, 1823–1825.

Expediency of requiring the signatories of the memorandum of association to have a substantial interest in the company which they form; numerous instances in which the names of subscribers of the articles of association have been worthless, 1826–1830——Approval of providing that every allottee in a company shall have a list of his co-shareholders, 1831.

Doubtful expediency of requiring that a report, balance sheet, and profit and loss statement should be published, 1832, 1833. 1882–1884——Considerable expense if it were compulsory for liquidators to render half-yearly reports of their proceedings to the creditors, 1835.

Opinion that the Court of Chancery should continue to deal with cases which are known as administrations, 1839——Desirability of still permitting the privilege of voluntary liquidation without legal proceedings, 1844——Impossibility of large accumulations of money in the hands of liquidators in respect of official liquidations; rule in the case of official liquidators that the money must be paid into the bank within seven days of its receipt, 1854–1859.

Statement of the course which would be adopted by the Court in the event of a well-grounded complaint against a liquidator, 1862–1864——Inexpediency of the remuneration of a liquidator being settled by a committee of shareholders, 1869, 1870.

Absence of objection in voluntary liquidations for the shareholders to appoint whom they please as a liquidator, 1871——Advisability of not leaving in the hands of the liquidator the power of compromising with shareholders for unpaid cases; approval of the present practice in this respect, 1877–1880.

Further observations relative to the absence of any guarantee as to *bona fides* in the signatures of seven persons to the memorandum of association; doubt as to its being the business of the Legislature to protect people against their own folly, 1888–1901.

Numerous instances in which the Court has given provision to liquidators to sell unrealised assets by auction, 1907–1909——Belief that the losses which have resulted from the recent discredit of limited companies have led to much greater care on the part of the public before joining companies, 1910–1912.

Report, 1877—*continued.*

Church, Edmund Boyle. (Analysis of his Evidence)—*continued.*

Explanation as to the Court never taking any steps with the object of bringing any liquidation to a close, 1913–1916——Further consideration of the amount of protection afforded to the public by the Companies Acts; opinion that the policy of these Acts in the application of limited liability to small concerns has not been successful, 1917–1935.

Closing of Liquidations. Advantage if the Court had a discretion to close the accounts though some small assets were still outstanding; approval of a report by a committee of supervision to this effect, *Price* 1062–1065. 1100. 1284–1286——Advantage of the liquidation ceasing as soon as the debts in any case are paid in full, *ib.* 1084.

Explanation that the Court never takes any steps with the object of bringing a liquidation to a close; this course is left to anyone who chooses to apply to the Court, *Church* 1913–1916——Suggestion that a company should not be allowed to be in liquidation for more than two years, without the special order of the Court, *Chadwick* 2166————Further facilities desirable for closing the accounts of the liquidators, *Sir G. Jessel* 2359.

See also *Delay.*

Companies Acts Amendment (No. 2) Bill. Opinion that "The Companies Acts Amendment (No. 2) Bill" is a useful amendment of the present law; belief that it would prevent a great deal of the mischief which arises from the launching of companies not of a *bonâ fide* character, *Newmarch* 246–257.

Advocacy of the clauses in the Amendment (No. 2) Bill requiring the full disclosure of all particulars in the formation of new companies; witness submitting that the existing law as to fraud is not sufficient to meet cases which arise under the Acts of 1862 and 1867, *Chadwick* 1936–1944——Decided opinion that all the stipulations in the Bill would not prevent any *bonâ fide* joint stock company being established, *ib.* 1944. 2165.

Favourable opinion of witness as regards the 4th section of the Companies Acts Amendment (No. 2) Bill; that is, as to the amendment therein of the 38th section of the Act of 1867, *Sir R. Malins* 2501–2504. 2551.

Recommendation by the Committee that the Companies Acts Amendment (No. 2) Bill be not further proceeded with, *Rep.* iii.

See also *Accounts. Balance Sheets. Capital. Fraud. Prospectus, &c. Reduction of Capital.*

Companies' Agents. Character of the business transacted by companies' agents; these persons as a rule have nothing to do with the actual formation of companies, *Cousins* 49–53.

Compulsory Liquidation. Opinion that there is little, if any, need for compulsory liquidation; entire unfitness of the machinery of the Court of Chancery for the administration of compulsory cases, *Morris* 797–799. 808——Explanation that witness would not take away the power of compulsory liquidation, as it might be useful in some cases, *ib.* 800–803——Approval of the right of a creditor who has recovered judgment to present a petition for winding-up, compulsory liquidation being still desirable in some cases, *ib.* 845–848.

Certain cases in which compulsory liquidation is still very desirable; increased delay and expense, however, as compared with voluntary supervision, *Price* 1040–1043. 1207——Grounds for disapproval of compulsory liquidation, *Harding* 1507, 1508.

See also *Liquidation.*

Committee of Consultation. Suggestion that in every winding-up the creditors and the shareholders should appoint a committee of consultation for the purpose of fixing the remuneration to the liquidator, and for supervising his acts during liquidation, *Turquand* 605–609. 659—— Approval of a committee of shareholders to confer with the liquidator, *Morris* 985.

Explanations with reference to the proposed appointment of a consultation committee of shareholders or of creditors, who should act in concert with the liquidator, *Price* 1040. 1171–1178. 1210–1214——Expediency of a committee of supervision in every case of liquidation, to be appointed from the shareholders and creditors, *Harding* 1505. 1641–1643. 1687–1689. 1705.

Consolidation of the Law. Advocacy of a consolidation of the law in regard to joint stock companies, so as to make it perfectly clear and certain, *Newmarch* 263. 720–724.

Contracts. See *Prospectus, &c.*

Cost of Liquidation. Difficulty of suggesting any plan by which the cost of liquidation can be reduced; large expenses constantly resulting from legal contests, *Turquand* 622, 623. 635–637——Impracticability of reducing the per-centage of cost of winding-up in relation to the collection of the assets to an average, *ib.* 667——Greater cost of winding-up by liquidation than by means of ordinary bankruptcy, *ib.* 668.

Very

Report, 1877—*continued.*

Cost of Liquidation—continued.

Very little check as regards the charges of the liquidators; instances in the cases of the Agra and Masterman Bank and the Albert Life Office, *Morris* 871-873. 943-959.

Dissent from the view that whilst solicitors' bills are taxed, there is no corresponding check upon liquidators' charges, *Price* 1259-1266——Explanation that the accounts of liquidators are severely supervised and taxed by the Chief Clerks in Chancery, *Harding* 1590-1593——Difficulty of arriving at a calculation of the per-centage of cost of winding-up companies; belief that the cost is not less than ten per cent. all round, *ib.* 1670-1673——Explanation as to the costly character of the process of winding-up under the supervision of the Court, *Church* 1720-1725. 1847.

Want of further check as regards the accounts of the liquidators, and the charges of solicitors and others, *Sir R. Malins* 2526. 2582, 2583.

See also *Liquidation*, 3.

Court of Bankruptcy. *See* also *Bankruptcy Court.*

Court of Chancery. See *Chancery, Court of.*

Cousins, William Henry. (Analysis of his Evidence.)—Is the Registrar of Joint Stock Companies, 1. 239, 240——Has had a statement prepared of all documents registered in his office, which he submits to the committee, 2——Explains that the main duties in relation to the winding-up of companies are undertaken by the Court of Chancery, 3.

Expediency of adopting some system for clearing the registers of the names of all companies which have ceased to exist; suggestions as to the mode in which this improvement might be effected, 4-9. 89, 90. 101. 109-115——Opinion that the registrar of joint stock companies should be empowered to keep a register of mortgages; explanation that such a register is kept by all companies, but that the shareholders generally object to examining it at the companies' offices, 10-17. 58-61. 116-118——Constant demand by the public for this information at the registrar's office, 10——Penalties might be attached for the non-rendering of information as to mortgages, 15.

Importance that limited companies should be bound to make a return of the names of the directors and managers, as is the case with regard to unlimited companies; advantage also in having the amount of stock held by the directors registered, 18-22. 56. 119-123. 216, 217——Absence of authority for the registrar of joint stock companies to enforce the statutory obligations on any company; this can only be done by a shareholder or a common informer and not by a public officer, 20-22. 62-64. 80-81. 93-99. 100——Desirability of giving power to the Board of Trade to proceed for penalties for breaches of the law, 22. 128.

Necessity for a revision and increase of the scale of fees attached to the Act of 1862, advantage which would result from the adoption of an *ad valorem* scale, 23-28——Registration of a company with a nominal capital of 100,000,000*l.*, but which never went actually beyond 200*l.*; an *ad valorem* scale of fees would have prevented this company from going forth to the public with such a nominal capital without paying for it, 23-27. 38-43. 65, 66——Advantage taken of the Act of 1867 in regard to the reduction of capital to the extent of thirty millions, 30.

Possibility for seven persons to register a limited liability company without having paid anything; instance of a company having been registered in which seven individuals had taken shares of 1*s.* each, 32-37. 44-46. 97-99——Return prepared by witness of the number of companies which have been registered from the year 1862 up to the present time; companies registered in the present year up to the 31st May with a total nominal capital of seventy millions, 47, 48——Character of the business transacted by companies' agents; these persons, as a rule, have nothing to do with the actual formation of companies, 49-53.

Statement that out of about 7,000 existing companies as many as 5,000 have neglected to make the returns required by the Act at some time or other during the last seven years; suggestion that the registrar should be empowered to apply for these returns by circular, 54-57. 87-90. 92. 223-229——Desirability of a money payment before a company is registered as a limited liability company; belief that the adoption of such a rule would tend to encourage *bonâ fide* companies, 68, 69. 165-169. 174-178.

Approval of limiting the liability on a share to a certain multiple of the sum paid, 69——Notices of increase of capital or of the members of a company generally sent to witness, in conformity with the Act of 1862; 71——Cases in which it is impossible for the registrar to decide whether the Act has been complied with, or the contrary, 72-75——Impossibility of furnishing an accurate return of the number of joint stock companies under limited liability, where an order for winding-up has been made, on account of the absence of concert between the registrar and the Court, 75-83. 192-198. 206-208.

Fee of 1*s.* charged for the inspection of documents in the registrar's office, 84-86——Advantage in requiring companies, under a penalty, to register their printed balance 365.

Report, 1877—*continued.*

Cousins, William Henry. (Analysis of his Evidence)—*continued.*

sheets; explanation that this registration would more than pay for the extra clerical staff necessary, by reason of the 5*s.* fee for filing, 91. 201–205.

Decided approval of the power of companies, which have practically ceased to exist, to wind-up without the operation being compulsory; grounds for this opinion, 102–108. 129–163. 170–173. 184–191. 241–243——Expediency of permitting companies which have never commenced business operations to dissolve themselves, without the necessity of a legal winding-up, 106, 107. 140–150.

Detailed information as to the returns which, under existing Acts, it is necessary for joint stock companies to make from year to year, 124–128——Returns as to the number of shareholders and other particulars which should be sent to the registrar within four months of the registration of the company; inoperative character of the penalty or fine of 5*l.* a day for a breach of this regulation, 124, 125. 179–183.

Importance of a public registry of anything that is a charge upon the property of a company, whether in the shape of a debenture or a mortgage, or other security, 199, 200 ——Necessity, under the 53rd section of the Act of Parliament, for companies to make a return of all the special resolutions; statement that this section is generally strictly observed, 209–215.

Explanation that the seven signatories to the memorandum of association are the original directors, until others are appointed, 218–222——Further information relative to the penalty of 5*l.* a day in connection with the 27th section of the Act of 1862; 230–238.

Creditors. Objection to a separate representation of the creditors and shareholders in the liquidation, *Price* 1335–1338.

D.

Debentures and Mortgages. Opinion that the registrar of joint stock companies should be empowered to keep a register of mortgages; explanation that such a register is kept by all companies, but that the shareholders generally object to examining it at the companies' offices, *Cousins* 10–17. 58–61. 116–118——Constant demand by the public for this information at the registrar's office, *ib.* 10——Penalties might be attached for the non-rendering of information as to mortgages, *ib.* 15——Importance of a public registry of anything that is a charge upon the property of a company, whether in the shape of a debenture or a mortgage or other security, *ib.* 199, 200.

Opinion that, as a matter of law, debentures would be considered the first charge upon the property of a company; explanation of the difference between a mortgage and a debenture, *Newmarch* 300–302. 309–315.

Absence of necessity for the debenture capital to bear any proportion to the share capital in a limited liability company, *Turquand* 661——Belief that debenture loans, in order to become legal charges, must be registered by the registrar of joint stock companies, *ib.* 662.

Consideration of the question as to the issue of debentures when it is not expedient to make calls; approval of requiring that such issue shall be registered, *Harding* 1693–1700——Expediency of limiting the issue of debenture capital by any company to about one-half the amount of the paid-up share capital, *Chadwick* 1954–1956.

Abuse in the practice of raising money on debentures, when little, if any, share capital is paid; illustration in the case of the Canadian Oils Company, *Sir R. Malins* 2369–2372—— Conclusion that the borrowing powers should not be exercised until at least one-third of the capital is subscribed for and actually paid, *ib.* 2373——Suggestion that the amount of debentures should not exceed one-third or one-half of the capital actually paid up, *ib.* 2450, 2451.

Objection to the issue of debentures being restricted to companies having real property, *Sir R. Malins* 2486–2489——Undue power of debenture holders over goods, &c.; modification suggested, *ib.* 2489, 2490——Further explanations as to the restrictions proposed in regard to the exercise of borrowing powers, *ib.* 2532–2537.

Delay (*Winding-up*). Information as to the time in which a company may be wound-up compulsorily; circumstances in which a delay may be advantageous to the creditors, *Turquand* 523–529. 566–570——Excessive delay in large and complicated cases through the want of larger powers in the Court, *Morris* 808——Obstacle sometimes raised by liquidators, as being directly interested in prolonging the winding-up, *ib.* 970, 971.

Explanation showing the unavoidable character of the great delay which occurs in some liquidations, *Price* 1062. 1116——Immense delay necessarily involved in some liquidations,

Delay (*Winding-up*)—continued.

liquidations, *Sir G. Jessel* 2198. 2341. 2360, 2361——Very dilatory character of the process of winding-up; large portion of witness' time thus occupied, *Sir R. Malins* 2498, 2499.

See also *Assets.*

Deposit on Registration. Desirability of a money payment before a company is registered as a limited liability company; belief that the adoption of such a rule would tend to encourage *bonâ fide* companies, *Cousins* 68, 69. 165–169. 174–178——Doubtful advantage in requiring a money deposit before registration; opinion that there would be no security in such a regulation, *Newmarch* 337–339.

Directors. Importance that limited companies should be bound to make a return of the names of the directors and managers, as is the case with regard to unlimited companies; advantage also in having the amount of stock held by the directors registered, *Cousins* 18–22. 56. 119–123. 216, 217——Explanation that the seven signatories to the memorandum of association are the original directors until others are appointed, *ib.* 218–222.

Exception taken to the proposal in the Bill as to the directors submitting a report of their proceedings, *Price* 1301–1303——Approval of the form of certificates proposed to be required of directors, *ib.* 1312——Importance of a certificate by the directors as to the correctness of the balance sheet and the profit and loss statement, *Chadwick* 1947.

Expediency of requiring directors to hold at least ten per cent. of the capital up to half a million; the greater portion of the mischief which has occurred has been through mismanagement, *Harding* 1437–1439. 1452–1458. 1538–1541. 1602–1605——Great advantage in limiting the management of joint-stock companies to as few persons as possible, *Chadwick* 2006–2009.

Explanation as to the liability of frandulent directors to punishment under the Fraudulent Trustees Act, *Sir G. Jessel* 2170–2172. 2209–2211. 2322–2330.

Large number of retired naval and military officers who are induced to become directors; motives by which influenced, *Sir R. Malins* 2482. 2484, 2485——Readiness of the public to join companies merely because they see well-known names in the direction, *ib.* 2483–2485——Opinion that directors should not be protected any more than trustees, when they act under bad advice of counsel, *ib.* 2527, 2528.

See also *Fraud. Memorandum and Articles of Association. Promotion and Formation of Companies. Prospectus, &c. Qualification of Directors.*

Dissolution of Companies. Expediency of permitting companies which have never commenced business operations to dissolve themselves without the necessity of a legal winding-up, *Cousins* 106, 107. 140–150.

Dividends. Higher dividends paid in liquidation than is generally supposed, *Price* 1346.

E.

Eupion Gas Company. Great delay and expense in the conviction of the directors of this company for fraudulent conspiracy, *Sir R. Malins* 2375.

European Insurance Company. Increased cost of liquidation owing to the appeal in the case, *Price* 1361–1363.

F.

Fees (*Registration*). Necessity for a revision and increase of the scale of fees attached to the Act of 1862; advantage which would result from the adoption of an *ad valorem* scale, *Cousins* 23–28——Registration of a company with a nominal capital of 100,000,000 *l.* but which never went actually beyond 200 *l.*; an *ad valorem* scale of fees would have prevented this company from going forth to the public with such a nominal capital without paying for it, *ib.* 23–27. 38–43. 65, 66.

Financial Agents. Strong temptation in the shape of high commission offered occasionally to financial agents to recommend concerns at an undue valuation to the public, *Chadwick* 2123–2125.

Formation of Companies. See *Promotion and Formation of Companies.*

Report, 1877—*continued.*

Forms and Documents (*Registration*). Sundry forms and documents required by the Acts of 1862 and 1867 to be forwarded to the Registrar of Joint Stock Companies, *App.* 159–174.

France. More satisfactory system in France than in England as regards public prosecution for fraud on the part of directors or promoters, *Sir G. Jessel* 2196.

Fraud. Proposal that it be obligatory upon any shareholder claiming back his money through fraud in the prospectus to apply to the Court immediately upon discovery of the fraud; amended provision suggested to this effect, *Morris* 823. 938–942——Remedy through the Court, irrespective of the 38th section, in cases of fraudulent suppression or misrepresentation, *ib.* 826. 884. 891. 986——Explanation of the word "fraudulent" as used in witness' Bill; penalties proposed to be attached to a fraudulent Act, *Chadwick* 2022–2025——Belief that if the provisions of the first part of witness' Bill are carried out the measure will tend greatly to check the creation of fraudulent concerns, *ib.* 2162–2164.

Opinion that the 38th section of the Act of 1867 should be repealed rather than amended, and that actual fraud in the formation of limited liability companies should be dealt with under the existing law; grounds for this conclusion, *Sir G. Jessel* 2167–2178. 2189. 2235–2237. 2248–2253——Defective machinery of the law, in the absence of a public prosecutor, for the punishment of fraud; approval nevertheless of the repeal of the 38th section of the Act of 1867, *ib.* 2169. 2173–2177. 2196. 2257–2260. 2333.

Liability of fraudulent directors and promoters to punishment under the present law, *Sir G. Jessel* 2170–2172. 2209–2218. 2322–2330——Tendency of the Act of 1867 to deter honest men from becoming directors of companies through fear of being prosecuted for fictitious or unintentional fraud, *ib.* 2175. 2238, 2239.

Consideration of the effect of the 38th section of the Act of 1867 as regards fraud being involved when matters which should be made known are not set forth in the prospectus, or notice inviting subscriptions for shares; conclusion as to the expediency of this liability being made perfectly clear, *Sir R. Malins* 2393–2418.

Further evidence relative to the operation of the 38th section of the Act of 1867, witness fully approving of its being held fraudulent not to disclose important contracts, *Sir R. Malins* 2465–2467. 2516–2519. 2543, 2544——Efficacy of the inquiry in the Court of Chancery with reference to detection of fraud, *ib.* 2504.

Expediency of further regulations in the formation of companies under the Acts of 1862 and 1867, on account of the frauds and losses hitherto, *Rep.* iii.

See also *Promotion and Formation of Companies. Prospectus, &c.*

Freedom of Contract. Disapproval generally of all provisions interfering with freedom of contract in matters of trade, *Sir G. Jessel* 2190–2192. 2256. 2275–2283. 2300–2317.

H.

Harding, Robert Palmer. (Analysis of his Evidence.)—Experience of witness as an accountant, and as a liquidator under the Court of Chancery for thirty years; administration personally by him of sixty-two companies, and of 140 by his firm, 1383–1387. 1667–1669——Information as to the present unsatisfactory mode of remunerating liquidators; advocacy of payment by commission, 1388–1410. 1426——Complete control exercised over the liquidator in respect of his charges, either by the shareholders or by the Court, 1401–1406.

Abuses which exist in the present system of appointing liquidators; the appointment is frequently a matter of sale, 1410–1412. 1498–1505. 1638–1643. 1646–1651——Advantages which accrue to a solicitor who gets an inefficient person to act as liquidator, 1412, 1413.

Details respecting the liquidation of the affairs of Overend and Gurney, with which witness was officially connected; creditors paid in full after the expiration of four years, 1413–1424. 1571–1589. 1652–1656——Failure of this company for nearly twenty millions sterling, 1413——Large amount of money borrowed by the liquidators with the object of relieving the shareholders from undue pressure, 1415–1419.

Information respecting the arrangements for remunerating the liquidators in the case of Overend and Gurney; upwards of 26,000 *l.* paid to each liquidator, exclusive of payments for clerks, &c., 1420–1424. 1571, 1572. 1653, 1654——Continued employment by the liquidators of a large proportion of the old staff of clerks; payment to the secretary of his former salary of 1,500 *l.* a year, 1424. 1573–1576. 1589.

Opinion that it is impossible that sums amounting to millions, as has been stated, are lying unclaimed or undistributed in the hands of liquidators; belief that the total amount at the present time in the possession of liquidators does not exceed 20,000 *l.*, 1424–1426.

Report, 1877—*continued.*

Harding, Robert Palmer, (Analysis of his Evidence)—*continued.*

1657–1660——Return made annually to Parliament of the amount of unclaimed dividends; facility in requiring this return to include full particulars respecting the position of all companies in liquidation, 1426. 1511–1514.

Statement that the Bank of England will not open an account for a liquidator in the name of a company, unless it be a compulsory liquidation or a liquidation under supervision, 1426——Opinion that a little more stringency in the Limited Liability Act, when first introduced, would have saved a very large amount of money, 1428.

Disapproval of permitting the registration of a company unless a certain proportion of the proposed capital has been paid up; belief that such a rule would not prevent the formation of any *bonâ fide* company, 1429–1436. 1542–1546. 1614–1616. 1630–1637. 1662–1664——Expediency of requiring directors to hold at least ten per cent. of the capital up to half a million; the greater portion of the mischief which has occurred has been through want of proper management, 1437–1439. 1452–1458. 1538–1541. 1602–1605——Absence of necessity for an Act of Parliament to govern the formation of companies, 1440–1445.

Approval of requiring the fullest information being given to intending shareholders in a newly-formed company, 1447. 1478–1481——Considerable influence formerly exercised over the public by their seeing well-known names in the prospectus; at the present time this confidence is somewhat shaken, 1447. 1621–1624——Statement that the word "limited," has been a delusion to many persons; in very many cases limited liability is unlimited to the persons concerned, 1459–1468. 1515–1521. 1526–1527. 1690–1692.

Disapproval of any inducement of a pecuniary character, beyond the ordinary fees, being offered to anyone to become a director; the system of providing such qualifications is rather checked at the present time, 1469–1471. 1522–1525——Belief that under the proposed Act there will be no falling off in the formation of joint-stock companies, and consequently that litigation will continue as heretofore, 1472–1477——Non-objection to Clause 5 in the Bill, which requires that two-thirds of the capital must be paid up, 1482, 1483.

Approval of a requirement that notice of the first allotment of shares be sent to each shareholders, in order that he may know with whom he is associated, 1484, 1485——Expediency of a prescribed form of balance-sheet to be sent to each shareholder; preference for the balance-sheet prescribed by a former Act to the one which is set out in the present Bill, 1486, 1487. 1494. 1607–1613. 1644, 1645——Opinion that the form of the profit and loss statement in the Bill does not give sufficiently full particulars, 1488–1493.

Approval of Clause 8, which requires that every company shall call an annual meeting, and present a report of their proceedings to the shareholders, 1495. 1701–1704——Desirability of giving power to extinguish paid-up capital when necessary, upon condition that it is fully set out in the accounts, 1496, 1497——Suggestion with reference to the appointment of liquidators, that a list of names of persons who are known to be qualified should be made, and that from such list the liquidator be selected, 1504. 1506.

Expediency of there being a committee of supervision in every case of liquidation, appointed from the shareholders and from the creditors, 1505. 1641–1643. 1687–1689. 1705——Grounds for disapproval of compulsory liquidation, 1507, 1508——Questionable expediency of making every company in liquidation bankrupt; frequent instance of liquidation in cases where companies, perfectly solvent, desire to place themselves upon a new basis, 1509, 1510. 1547–1556.

Impossibility of preventing by any legislation the recurrence of panics, or of unwise speculation, 1526–1537——Desirability of requiring that five-sixths of the shareholders should vote for the special resolution which alters the rules or regulations for carrying on the business of any company, as stated in the memorandum of association, 1557–1570.

Large powers vested in the liquidators in respect of directing the business of the companies under their charge, 1587, 1588. 1594–1601——Statement that the accounts of liquidators are severely supervised and taxed by the chief clerk's influence, 1590–1593.

Expediency of having an interim and a final registration to insure that the necessary capital had been subscribed, 1629–1631. 1665, 1666——Difficulty in arriving at a calculation of the per-centage of cost of winding-up companies; belief that the cost is not less than ten per cent. all round, 1670–1673.

Circumstances under which the Court has refused to sanction a compromise with a shareholder, 1674–1677——Statement that the registration of documents and contracts would only protect the public in the formation of a company, and not subsequently, 1678–1686.

Report, 1877—*continued.*

Harding, Robert Palmer. (Analysis of his Evidence)—*continued.*

Consideration of the question of the issue of debentures when it is not expedient to make calls; approval of requiring that such issue shall be registered, 1693–1700—— Conclusion as to the expediency of the liquidator being an independent person, 1706, 1707.

J.

Jessel, The Right Hon. Sir George (Master of the Rolls). (Analysis of his Evidence.)—Opinion that the 38th section of the Act of 1867 should be repealed rather than amended, and that actual fraud in the formation of limited liability companies should be dealt with under the existing law; grounds for this conclusion, 2167–2178. 2189. 2235–2237. 2248–2252——Defective machinery of the law, in the absence of a public prosecutor, for the punishment of fraud; approval, nevertheless, of the repeal of the 38th section of the Act of 1867; 2169. 2173–2177. 2196. 2257. 2260. 2333.

Explanation as to the liability of fraudulent directors to punishment under the Fraudulent Trustees Act, 2170–2172. 2209–2211. 2322–2330 —— Tendency of the Act of 1867 to deter honest men from becoming directors of companies through fear of being prosecuted for fictitious or unintentional fraud, 2175. 2238, 2239——Expediency of making the 38th section clear, if it be decided to retain it, 2176. 2178—— Facility on the part of honest directors in making full disclosure of contracts, &c., without an Act of Parliament, whilst dishonest men can evade the provisions on the subject, 2178. 2240.

Consideration of Clause 4 in the Amendment Bill referred to the Committee; grounds for objecting to various provisions therein as to the matters to be disclosed in the prospectus, &c., 2179–2189 ——Objection to the proposal in the Amendment Bill that a certain portion of the capital of new companies must be actually subscribed, 2190, 2191 —— Disapproval generally of all provisions interfering with freedom of contract in matters of trade, 2190–2192. 2256. 2275–2283. 2300–2317.

Exceptions taken to Clause 7 in the Amendment Bill on the subject of accounts, and their compulsory issue to the shareholders, 2192——Conclusion as to the uselessness of prescribing any form of account or balance-sheet as a protection against fraud or deception; illustrations to this effect, 2192–2195. 2241, 2242. 2265——Grounds for objecting to Clause 8 in the Bill as regards the issue or deposit of a balance-sheet within a certain time, 2192, 2193. 2253–2256. 2331, 2332——Decided approval of Clause 9; 2196.

Effect of the provisions in the Bill to give a false security to careless persons and to deter honest persons from joining new companies, 2196. 2248–2252. 2265——More satisfactory system in France than in England as regards public prosecution for fraud on the part of directors or promoters, 2196.

Utterly ruined state of the great majority of companies that go into liquidation, 2197, 2198——Great difficulty in rendering the machinery or process of judicial liquidation more efficient, 2198–2207. 2266–2271. 2337–2341——Change for the worse rather than the better by transferring liquidation to the Court of Bankruptcy, 2198, 2199—— Opinion that the charges of the liquidators are not too high; explanation hereon as to the scales of payment and the limits applied, 2200–2203. 2337–2341.

Sufficiency of the present law for the punishment of fraudulent promoters as well as directors, 2212–2218. 2322–2330 —— Conclusion adverse to any Parliamentary guarantee for the practical limitation of the liability in the case of companies formed under the Acts of 1862 and 1867; that is, in view of the very small proportion of the capital sometimes called up in the first instance, 2219–2234. 2318–2321.

Opinion favourable to further facilities to individuals, irrespectively of number, to go into limited liability enterprises; satisfactory working of such facilities in France and other countries, 2225. 2258, 2259. 2275–2284. 2300–2317. 2336.

Suggestions with reference to the question of appointment of a public prosecutor, the difficulty really being one of expense; way in which the Solicitor of the Treasury might be instructed to prosecute in cases of fraud under the Companies Acts, 2243–2247. 2260–2264. 2333. 2351–2356——Approval of the present system of appointment of liquidators; objection to their being officers of the Court, 2266, 2267—— Satisfactory working of the 25th section of the Act of 1867 as regards payment for the whole amount of the shares in cash, 2272–2274.

Examination upon the question as to the unsatisfactory result, on the whole, in the case of companies under the Acts of 1862 and 1867; excellent result in the case of railways, tramways, &c., not under these Acts, 2287–2299.

Rule of witness' Court to appoint as liquidator one of the persons nominated by the parties interested, 2334. 2357, 2358——Instances of collusion in the appointment of the solicitor by the petitioner for winding-up, 2335——Alternative means by which non-disclosure

Report, 1877—*continued.*

Jessel, The Right Hon. Sir George (Master of the Rolls). (Analysis of his Evidence)—*cont^d.*

disclosure of material contracts might be punished, instead of by making the prospectus fraudulent, 2342–2345.

Further expression of the opinion that any number of persons, whether more or less than seven, should be allowed to protect themselves by limited liability, 2346–2348——Disapproval of the provisions against altering and enlarging the memorandum of association, 2348——Approval of the continued use of the word "limited" by companies, or persons trading under the Acts of 1862 and 1867; 2349, 2350.

Further facilities desirable for closing the accounts of the liquidators, 2359——Great difficulty in realising outstanding assets; hence the delay in closing the accounts, 2360, 2361.

L.

Legislation. Objection to anything paternal or protective in the legislation in regard to joint-stock companies; opinion that any attempt of the Legislature to protect creditors, who should exercise their own judgment, is going entirely in the wrong direction, *Newmarch* 262. 284. 343-345. 725–740——Desirability of simplifying the processes of the Acts in every way, *ib.* 320–322.

Absence of necessity for an Act of Parliament to govern the formation of companies, *Harding* 1440–1445——Impossibility of preventing, by any legislation, the recurrence of panics or of unwise speculation, *ib.* 1526–1537.

Admission that legislation cannot secure against loss those who are imprudent, though some valuable protection may be given by stopping the formation of fraudulent companies, *Sir R. Malins* 2386–2392. 2428. 2472, 2473. 2481——Propriety of Parliament requiring proper guarantees for the carrying out of the facilities afforded to companies under the Acts of 1862 and 1867, *ib.* 2580, 2581.

Limitation of Liability. Approval of limiting the liability on a share to a certain multiple of the sum paid, *Cousins* 69——Practice of companies at the present time to diminish the nominal liability of the shares, which was not the case formerly; expediency of legislating with the object of preventing heavy liability on unpaid-up shares, *Turquand* 432–437.

Beneficial working, on the whole, of the principle of limited liability under the Acts of 1862 and 1867, *Price* 1185–1190. 1238–1240——Statement that the word "limited" has been a delusion to many persons; in many cases limited liability is unlimited to the persons concerned, *Harding* 1457–1468. 1515–1521. 1526, 1527. 1690–1692.

Conclusion adverse to any Parliamentary guarantee for the practical limitation of the liability in the case of companies formed under the Acts of 1862 and 1867; that is, in view of the very small proportion of the capital sometimes called up in the first instance, *Sir G. Jessel* 2219-2234. 2318-2321——Examination upon the question as to the unsatisfactory result, on the whole, in the case of companies under the Acts of 1862 and 1867; excellent result in the case of railways, tramways, &c., not under these Acts, *ib.* 2287–2299——Approval of the continued use of the word "limited" by companies or persons trading under the Acts of 1862 and 1867, *ib.* 2349, 2350.

Advocacy of the principle of limited liability; considerable abuse, however, in the liability being in some cases practically unlimited, *Sir R. Malins* 2362.

See also *Capital.* *Reduction of Capital.*

LIQUIDATION (APPOINTMENT AND REMUNERATION OF LIQUIDATORS):

1. *As to the Appointment of Liquidators in Compulsory and in Voluntary Liquidations.*
2. *As to the Establishment of a Staff of Liquidators, who should be Salaried Officers of the Court of Chancery.*
3. *As to the System and Amount of Remuneration.*
4. *As to the Working generally of the Present System of Liquidation, and the Amendments required.*

1. *As to the Appointment of Liquidators in Compulsory and in Voluntary Liquidations:*

Considerations as to the most desirable mode of appointing the liquidator in a case of compulsory winding up; opinion that the Court can best select a fit person for the duty, *Turquand* 673–682——Considerable abuse in connection with the appointment of provisional liquidators; suggestions for an amended practice, *Morris* 805.

Proposal that it be compulsory for the Court of Chancery to consult the parties interested before the appointment of the permanent liquidator; explanations on this point, *Morris* 805–807. 901–903——Limitation suggested as to the appointment of provisional liquidator, *ib.* 857, 858——Testimony to the high character of the leading firms

 engaged

Report, 1877—*continued.*

LIQUIDATION (APPOINTMENT AND REMUNERATION OF LIQUIDATORS)—cont^d.

1. *As to the Appointment of Liquidators, &c.*—continued.

engaged in the business of official liquidation, *Morris* 870—— Instances of the liquidator first appointed in compulsory cases being set aside at the request of the largest share-shareholders, *ib.* 982, 983.

Appointment of the liquidator by the Court in compulsory liquidations, and by the shareholders in the two kinds of voluntary liquidations; check through the Court in case of liquidation under supervision, *Price* 1003-1007——Grounds for strongly objecting to the necessary appointment in all cases of an officer of the company as provisional liquidator, *ib.* 1043, 1044. 1166-1170—— Unsatisfactory system in the appointment of official liquidators; expediency of fuller notice before appointment to the parties interested, *ib.* 1044.

Grounds for objecting to the chairman of a company or one of the directors acting as liquidator, *Price* 1094-1096——Advantage if the selection of the liquidator rested still more with the judge, *ib.* 1121, 1122——Appointment generally of accountants, *ib.* 1123-1126.

Abuses in the present system of appointment; the appointment is frequently a matter of sale, *Harding* 1410-1412. 1498-1505. 1638-1643. 1646-1651——Suggestion that there be a list of persons known to be qualified, and that from such list the liquidator be selected, *ib.* 1504. 1506——Conclusion as to the expediency of the liquidator being an independent person, *ib.* 1706, 1707.

Information relative to the system of appointment of liquidators by the Court; arrangement that the petitioner who has obtained the carriage of the order to wind up should be the first to propose the official liquidator, *Church* 1730-1737. 1817, 1818. 1862-1864. 1871. 1881. 1903-1906——Belief that the present system of appointing liquidators by the Court has led to "wrecking," *ib.* 1817, 1818——Non-objection, in voluntary liquidations, to the shareholders appointing whom they please as liquidator, *ib.* 1871.

Approval of the present system of appointment, *Sir G. Jessel* 2266, 2267——Highly respectable accountants proposed in witness' Court as liquidators, *ib.* 2267——Rule of witness' Court to appoint as liquidator one of the persons nominated by the parties interested, *ib.* 2334. 2357, 2358.

Great competition at times for the office of liquidator, *Sir R. Malins* 2452. 2582——Explanation of the practice in witness' Court in regard to the appointment of liquidators under different circumstances, *ib.* 2452-2458. 2525.

2. *As to the Establishment of a Staff of Liquidators, who should be Salaried Officers of the Court of Chancery:*

Question considered as to the expediency of making the liquidators officers of the Court; belief that if this could be done it would tend to simplify matters and save expense, *Turquand* 638-645.

Evidence adverse to a class of officials paid by salary, who should do the work of liquidation; loss thereby of the responsibility which now attaches to liquidators, greatly to the benefit of the estates, *Price* 1043-1057. 1105. 1128-1138. 1157-1165——Increased delay and less close attention if there were salaried liquidators, *ib.* 1157-1165.

Questionable advantage in appointing a public officer as official liquidator to collect and distribute assets, *Church* 1807, 1808——Objection to the liquidator being a permanent officer of the Court, *Sir G. Jessel* 2266, 2267; *Sir R. Malins* 2500.

3. *As to the System and Amount of Remuneration:*

Statement that there is no settled scale of charges for accountants, so far as the Institute of Accountants is concerned, *Turquand* 419-424——Explanation with regard to the remuneration received by liquidators in cases of voluntary winding up; strong objection to payment by time, as at present, *ib.* 557-565. 595-609. 646-654. 665-672——Remuneration in compulsory liquidations according to a scale fixed by the Court in regard to the time occupied, *ib.* 559-564.

Approval of the remuneration to the liquidator in large cases being a commission on the dividends paid; belief that this system would lead to expedition and also to the best realisation of the assets, *Turquand* 596-604——Opinion that a decreasing scale of remuneration would not be expedient, because the assets which come in last are those which it is most difficult to get, *ib.* 648-650.

Scale adopted by the Court for the payment of liquidators in compulsory cases; particulars relative to this scale, which is partly according to time and partly according to the amount paid to unsecured creditors for dividend, *Price* 1008-1039——Approval of the scale of payment in those cases in which the assets bear a certain proportion to the liabilities,

Report, 1877—*continued.*

LIQUIDATION (APPOINTMENT AND REMUNERATION OF LIQUIDATORS—cont^d.

3. *As to the System and Amount of Remuneration*—continued.

liabilities, or not less than twenty-five per cent., *Price* 1017–1020——Very unsatisfactory working of the scale in some cases, *ib.* 1017. 1020, 1021.

Suggestion that in the earliest stage of the liquidation the principle of payment, whether by time or by commission, should be fixed by some authority, *Price* 1017. 1021. 1032. 1178——Instance of exceedingly small assets in proportion to liabilities, the liquidator's payment being altogether inadequate in such case, *ib.* 1020, 1021——Great delay in some cases before the liquidator is paid, there being no payment till assets are got in, *ib.* 1021. 1033–1038——Instance of six years before any payment to the liquidator, *ib.* 1021. 1267.

Explanation of the check upon excessive charges for time; belief as to there being sufficient protection against abuse, *Price* 1022–1031. 1085–1090. 1259–1261——Willingness of respectable firms to act as liquidators, the scale of remuneration being, on the whole, reasonable, *ib.* 1116–1120.

Further statement as to the present scale of payment being unsuitable in some cases, payment by commission being more satisfactory, *Price* 1127——Explanation that in compulsory liquidations the liquidator cannot pay himself, *ib.* 1268–1272——Further consideration of objections to the system of payment of liquidators by time, *ib.* 1324–1334.

Evidence as to the present unsatisfactory mode of remunerating liquidators; advocacy of payment by commission, *Harding* 1388–1410. 1426——Complete control exercised over the liquidator's charges either by the shareholders or by the Court, *ib.* 1401–1406.

Unsatisfactory character of the present scale of remuneration of liquidators; opinion that unless their bills are taxed, in the same way as solicitor's bills, there is no better system than that of paying by the hour, *Church* 1744–1757. 1806, 1807. 1848–1853. 1869, 1870——Expediency of a revised scale of remuneration and a taxation of bills, *ib.* 1750–1757——Inexpediency of the remuneration of a liquidator being settled by a committee of shareholders; great advantage in the liquidator being wholly independent of shareholders and directors, *ib.* 1869, 1870.

Opinion that the charges of the liquidators are not too high; explanation hereon as to the scales of payment and the limits applied, *Sir G. Jessel* 2200–2203. 2337–2341——Grounds for objecting to a per-centage renmuneration, *ib.* 2203. 2340.

Illustration of the check exercised by witness as regards the remuneration of liquidators; unduly large amount in some cases, *Sir R. Malins* 2523. 2524.

Regulation adopted by the Court of Chancery as to the mode of remunerating official liquidators, *App.* 180.

4. *As to the Working generally of the Present System of Liquidation, and the Amendments required:*

Evidence as to the want of various improvements in the system of liquidation, and as to the abuses which arise through there being no real supervision of the liquidators, *Newmarch* 272 *et seq.*——The liquidators are entirely out of sight and beyond control, and there are no ready means of bringing them to account, *ib.* 272.

Complaint generally as to the delay, uncertainty, and expense which attend the whole process of liquidation; absence of sufficient constant control over the acts of the official liquidator, *Newmarch* 781–793.

Information respecting the system adopted generally in the case of liquidations; three classes of liquidation, the compulsory, the voluntary, and the voluntary under supervision of the Court, *Turquand* 389–411. 515–529. 542–550. 587–590. 618–625. 655–662——Experience of witness that the present system of liquidation is beneficial to the public, the creditors, and the shareholders; considerable advantage in employing an independent person as liquidator, *ib.* 618–621.

Satisfactory working, on the whole, of the present system of liquidation; dissatisfaction in any case of creditors not paid in full, *Price* 1113–1115——Power of an individual creditor or shareholder to bring the liquidator before the Court, *ib.* 1338–1342——Large powers vested in the liquidators in respect of directing the business of the companies under their charge, *Harding* 1587, 1588. 1594–1601.

Explanation of the course which would be adopted by the Court in the event of a well-grounded complaint against a liquidator, *Church* 1862–1864——Statement as to the expediency of requiring all liquidators to make periodical reports to the shareholders and creditors, and of otherwise improving the practice in the liquidation of companies, *Chadwick* 1947. 2166.

No money has been lost through any default of official liquidators, *Sir G. Jessel* 2268——Excellent discharge of their duties by the official liquidators, *Sir R. Malins* 2591. 2594.

Report, 1877—*continued.*

Liquidation (Appointment and Remuneration of Liquidators)—contd.

4. *As to the Working generally of the Present System, &c.*—continued.

Conclusion of the Committee (by a majority of two on division) that the present system of liquidation is unsatisfactory, and requires amendment, *Rep.* iii, xvii.

See also *Accounts (Liquidation of Companies). Agra and Masterman Bank. Albert Insurance Company. Assets and Unclaimed Dividends. Bankruptcy Court. Chancery, Court of. Closing of Liquidation. Compulsory Liquidation. Committee of Consultation. Cost of Liquidation. Delay. Overend, Gurney, & Co. Petitions. Shareholders. Solicitors. Solvent Companies. Voluntary Liquidation.*

Lisbon Tramways Company. Comment upon the fraud involved in the formation of this company; protracted litigation in the case, *Sir R. Malins* 2404–2413.

List of Shareholders. Doubtful advantage in sending a list of the shareholders to every allottee, *Turquand* 467–469; *Sir R. Malins* 2555——Approval of a requirement that notice of the first allotment of shares be sent to each shareholder, in order that he may know with whom he is associated, *Harding* 1484, 1485; *Church* 1831——Expediency of furnishing every person who takes shares in a company with a list showing the names of every shareholder, and the number of shares taken by each allottee, *Chadwick* 1946, 1947.

Litigation. Serious litigation arising out of the 38th section of the Act of 1867, the judges not agreeing as to its interpretation; expediency of the meaning of the section being made perfectly clear, *Morris* 818–820. 822. 828. 921-927——Great difficulty under any clause in laying down definitions without the risk of serious litigation, *ib.* 822–826——Inadequacy of the judgment of the House of Lords, on appeal, as a means of preventing the difficulty in the interpretation of the 38th section of the Act of 1867; *ib.* 924–927——Expediency of making the 38th section clear, if it be decided to retain it, *Sir G. Jessel* 2176. 2178.

Much controversy caused by the language of the 38th section of the Act of 1867; expediency of correcting the ambiguity in this portion of the Act, *Rep.* iii.

See also *Prospectus, &c.*

London, Chatham, and Dover Railway. Comment upon the course pursued by the London and Chatham Railway Company, on a certain occasion, in procuring temporary capital by means of Lloyd's bonds, *Sir R. Malins* 2425–2428. 2565–2573.

Loss of Capital. Suggestion that it might be desirable to require directors to wind up a company that had lost three-fourths of the capital, and, if not wound up, that the directors should be liable for further loss, *Turquand* 694–696——Exceptions taken to the foregoing proposition, *Newmarch* 715–717.

Utterly ruined state of the great majority of companies that go into liquidation, *Sir G. Jessel* 2197, 2198.

M.

Malins, The Hon. Vice Chancellor Sir Richard. (Analysis of his Evidence.)—Extensive judicial experience of witness in connection with the winding up of limited liability companies, 2362——Advocacy of the principle of limited liability; considerable abuse, however, in the liability being in some cases practically unlimited, *ib.*——Unduly large margin of liability in the case of Overend, Gurney, & Co., 2362. 2448——Explanation of the principle adopted by witness in the winding up of this company, the result being that the shareholders have been recouped some 5*l.* or 6*l.* per share out of the calls made upon them, 2362, 2363.

Suggestion that each company be obliged to call up at least half its capital, 2363. 2365——Inability of the public to protect themselves, shares being largely taken by persons who do not understand their liability, and are very readily deceived, 2364, 2365. 2369——Frequent instances of false statements by promoters and directors, in order to induce the public to take shares, 2365.

Proposal that at least 1,000*l.* be subscribed for before any company is formed; instances of abuse through companies being formed upon seven persons subscribing for seven shares of 1*l.* each, whilst in one case the subscribed shares were only 1*s.* each, 2365-2368——Recommendation that at least ten persons should sign the memorandum of association, for not less than 50*l.* each, 2365-2369. 2441-2443.

Abuse in the practice of raising money on debentures, when little if any share capital is paid; illustration in the case of the Canadian Oils Company, 2369-2372——Conclusion that the borrowing powers should not be exercised until at least one-third of the capital is subscribed for and actually paid, 2373.

Advantage

Report, 1877—*continued.*

Malins, The Hon. Vice Chancellor Sir Richard. (Analysis of his Evidence)—*continued.*

Advantage if it were the duty of some public officer to settle the memorandum and articles of association; check thereby to fraudulent representations, 2374-2380—— Frequent evil and public loss through the directors of new companies commencing business with an amount of capital altogether inadequate; instances of this abuse, 2380-2390 ——Suggestion that directors who commence business without a certain proportion of capital in hand should be liable for the debts of the company, 2380. 2385-2389. 2541, 2542.

Admission that legislation cannot secure against loss those who are imprudent, though some valuable protection may be given by stopping the formation of fraudulent companies, 2386-2392. 2428. 2472, 2473. 2481——Consideration of the effect of the 38th section of the Act of 1867, as regards fraud being involved, when matters which should be made known are not set forth in the prospectus, or notice inviting subscriptions for shares; conclusion as to the expediency of this liability being made perfectly clear, 2393-2418.

Opinion that one-third of the capital should be paid up before business can be commenced, 2419-2428. 2471——Comment upon the course pursued by the London and Chatham Railway Company, on a certain occasion, in procuring temporary capital by means of Lloyd's bonds, 2425-2428. 2565-2573——Explanations with further reference to the proposal that a public officer should supervise the memorandum and articles of association; question hereon whether the public might not be misled into false security by this means, 2429-2440. 2508-2515——Approval of a suggestion in regard to the promoters paying up in full, 2444, 2445.

Advantage in the payment on allotment bearing a large proportion to the total amount of the shares, 2446-2448——Suggestion that the amount of debentures should not exceed one-third, or one-half, of the capital actually paid up, 2450, 2451 ——Great competition at times for the office of liquidator, 2452. 2582——Explanation of the practice in witness' Court in regard to the appointment of liquidators, under different circumstances, 2452-2458. 2525——Witness is not aware of any company wound up paying 20*s.* in the pound to the shareholders, 2454, 2455. 2468-2470.

Doubt as to the expediency of a public prosecutor in cases under the Companies Acts, 2459, 2460——Importance of the balance-sheet being sent to every shareholder, 2461, 2462. 2465—— Undue expense in requiring a report of the proceedings at meetings to be sent to each shareholder, 2464—— Further evidence relative to the operation of the 38th section of the Act of 1867, witness fully approving of its being held fraudulent not to disclose important contracts, 2465-2467. 2516-2519. 2543, 2544.

Grounds for objecting to one or two persons sufficing for the registration of companies as limited, 2474-2478——Facility of ascertaining from the banker's pass-book what amount of capital is paid up, 2479, 2480——Practice of witness in dealing with directors whose qualification has been given them by the promoters in shares; full liability attached to such directors, 2482. 2520-2522——Large number of retired naval and military officers who are induced to become directors; motives by which influenced, 2482. 2484, 2485——Readiness of the public to join companies merely because they see well-known names in the direction, 2483-2485.

Objection to the issue of debentures being restricted to companies having real property, 2486-2489——Undue power of debenture holders over goods, &c.; modification suggested, 2489, 2490——Reasons for requiring not less than seven or ten members when a private firm is converted into a joint stock company, 2491-2495. 2537-2540—— Insolvent state of Overend, Gurney, & Co. from its first formation, 2496, 2497.

Very dilatory character of the process of winding up; large portion of witness' time thus occupied, 2498, 2499——Objection to the liquidator being a permanent officer of the Court, 2500——Favourable opinion of witness as regards the 4th section of the Companies Acts Amendment (No. 2) Bill; that is, as to the amendment therein of the 38th section of the Act of 1867; 2501-2504. 2551——Efficacy of the inquiry in the Court of Chancery with reference to detection of fraud, 2504.

Grounds for objecting to the winding up of companies taking place in the Court of Bankruptcy, 2505——Doubt as to the necessity of further facilities for enlarging the objects, or line of business, beyond what is stated in the memorandum of association, 2506, 2507——Invariable discountenance by witness of the practice of directors in accepting qualifications of shares from promoters, 2520-2522.

Illustration of the check exercised by witness as regards the remuneration of liquidators; unduly large amount in some cases, 2523, 2524——Want of further check as regards the accounts of the liquidators, and the charges of solicitors and others, 2526. 2582, 2583——Opinion that directors should not be protected, any more than trustees, when they act under bad advice of counsel, 2527, 2528.

Further explanations as to the restrictions proposed in regard to the exercise of borrowing powers, 2532-2537——Sufficient definition generally of the objects for which

Report, 1877—*continued.*

Malins, The Hon. Vice Chancellor Sir Richard. (Analysis of his Evidence)—*continued.*

the company is formed, 2545-2547——Approval of power in the Court to dispense with the use of the word "reduced," as under the Act of 1867; practice of witness as to sanctioning reduction of capital, 2548, 2549. 2557——Doubt as to the object of a certain clause proposed on the subject of reduction of capital, 2550.

Exception taken to a proposed clause having for its object that no company shall commence business until two-thirds of the capital is subscribed, 2552-2554——Doubt as to the necessity of a list of the allottees being sent to the shareholders, 2555——Specially fraudulent character of the Marseilles Land Company and the Marseilles Railway Company, 2558–2560——Great abuse under the system of syndicates, as in the case of foreign loans; some syndicates are, however, perfectly proper, 2561-2564.

Inadequate guarantee for the fulfilment of the provision in the Act of 1862, as to companies exhibiting in their office a balance-sheet of their affairs, 2574–2579——Propriety of Parliament requiring proper guarantees for the carrying out of the facilities afforded to companies under the Acts of 1862 and 1867; 2580, 2581——Instances of winding-up petitions merely for the sake of the costs; sufficient power for dealing with this abuse, 2584, 2585.

Expediency of shareholders as well as directors being required to pay, either in money or money's worth, for all shares held by them, 2586-2590——Excellent discharge of their duties by the official liquidators, 2591. 2594——Decided objection to the liquidation being entirely carried out by the solicitor, the official liquidator being dispensed with, 2592, 2593.

Marseilles Land Company. Specially fraudulent character of the Marseilles Land Company and the Marseilles Railway Company; large amount mulcted from the shareholders by the directors in the former case, *Sir R. Malins* 2558–2560.

Meetings of Companies. Opinion in favour of sending the shorthand writer's notes of the meeting of companies to the shareholders, *Newmarch* 261. 270. 303, 304; *Turquand* 512, 513——Objection to its being compulsory to send reports of meetings to shareholders; limited attendance of the latter at meetings, *Morris* 972–975——Undue expense in requiring a report of the proceedings at meetings to be sent to each shareholder, *Sir R. Malins* 2464.

Memorandum and Articles of Association. Possibility for seven persons to register a limited liability company without having paid a shilling; instance of a company having been registered in which seven individuals had taken shares of 1 *s.* each, *Cousins* 32-37. 44-46. 97-99——Opinion that so long as every one invited to take shares in a company is fully informed as to the articles of association it is not necessary that the seven persons registering a company should take more than one share each, *Newmarch* 342. 369.

Statement as to the directors of a company being restricted to the purposes of trade set forth in the memorandum of association, *Morris* 909–914——Conditions subject to which the memorandum of association might be modified and enlarged, *ib.* 915-920——Doubt as to there being already certain facilities for enlarging the powers contained in the memorandum of association, *ib.* 999, 1000.

Evidence relative to the absence of any guarantee as to *bona fides* in the signatures of seven persons to the memorandum of association; doubt as to its being the business of the Legislature to protect people against their own folly, *Church* 1781–1788. 1888–1901——Expediency of requiring the signatories of the memorandum of association to have a substantial interest in the company which they form; numerous instances in which the names of subscribers of the articles of association had been worthless, *ib.* 1826-1830.

Disapproval of the provisions against altering and enlarging the memorandum of association, *Sir G. Jessel* 2348.

Recommendation that at least ten persons should sign the memorandum of association, for not less than 50 *l.* each, *Sir R. Malins* 2365-2369. 2441-2443——Proposal that at least 1,000 *l.* be subscribed for before any company is formed; instances of abuse through companies being formed upon seven persons subscribing for seven shares of 1 *l.* each, whilst in no one case the subscribed shares were only 1 *s.* each, *ib.* 2365–2368.

Advantage if it were the duty of some public officer to settle the memorandum and articles of association; check thereby to fraudulent representations, *Sir R. Malins* 2374-2380. 2429–2440. 2508-2515——Doubt as to the necessity of further facilities for enlarging the objects or line of business beyond what is stated in the memorandum of association, *ib.* 2506, 2507—— Sufficient definition generally of the objects for which the company is formed, *ib.* 2545-2547.

Forms of memorandum of association, as required to be forwarded to the Registrar of Joint Stock Companies, *App.* 160–162.

Morris,

Report, 1877—*continued.*

Morris, John. (Analysis of his Evidence.)—Considerable experience of witness, as a solicitor in the City, in connection with the formation and liquidation of joint stock companies, 794-796. 798——Opinion that there is little if any need for compulsory liquidation; entire unfitness of the machinery of the Court of Chancery for the administration of compulsory cases, 797-799. 808 — Conclusion that every facility should be given for taking companies out of compulsory liquidation, and that the parties interested can efficiently administer all the business themselves, or by their agents, 798-800. 805-808.

Explanation that witness would not take away the power of compulsory liquidation, as it might be useful in some cases, 800-803——Grounds for the suggestion that the twenty-one day's notice to pay be abolished altogether, 803, 804. 844——Considerable abuse in connection with the appointment of provisional liquidators; suggestions for an amended practice, 805.

Proposal that it be compulsory for the Court of Chancery to consult the parties interested before the appointment of the permanent liquidator; explanations on this point. 805-807. 901-903——Instances of the expediency of cases being taken out of the hands of the official liquidator, and placed in charge of the parties interested, 805, 806.

Great complications to be dealt with when large companies fail, as in the case of the Albert Life Office, 808. 810—— Excessive delay in large and complicated cases through the want of larger powers in the Court, 808——Conclusion that extraordinary powers should be given to the Court for promptly dealing with such cases, such powers to be settled by the Court of Appeal, 808-813——Great regret expressed by the judge as to the signing of the winding-up order in the Albert case, 810.

Objection to a proposal as regards the paying in of money to the Court under voluntary liquidations, 814—— Special importance of the parties interested being trusted to look after their own affairs as much as possible, *ib.*——Illustration of the impracticability of administration of company business, save at excessive delay and expenditure, in the chambers of the chief clerks under the present system; entire efficiency, however, of these officials, 815, 816. 839, 840 —— Suggestion that the company business exclusively might be dealt with by the chief clerks, sitting continuously for the purpose, 816. 835-840.

Serious litigation arising out of the 38th section of the Act of 1867, the judges not agreeing as to its interpretation; expediency of the meaning of the section being made perfectly clear, 818-820. 822. 828. 921 927——Great importance attached to full publicity on the part of promoters, the difficulty being to draw a clause which shall secure this, 818-826. 896-899——Decided approval of the Act of 1862, and of the principle of leaving the public to protect themselves, 819. 829. 874-880. 930.

Evidence in support of the conclusion that the section in Mr. Chadwick's Bill for amending the 38th section of the Act of 1867 would not work; that is, as regards the setting out of contracts, &c. in the prospectus or notice; amended clause prepared by witness, 820-826. 898-900—— Great difficulty under any clause in laying down definitions without the risk of serious litigation, 822. 826—— Proposal that it be obligatory upon any shareholder claiming back his money through fraud in the prospectus to apply to the Court immediately upon discovery of the fraud; amended provision suggested to this effect, 822. 938-942.

Remedy through the Court, irrespective of the 38th section, in cases of fraudulent suppression or misrepresentation, 826. 884-887. 891. 986——Hasty manner in which the 38th section of the Act of 1867 was prepared and passed, 827, 828——Approval of certain facilities for reduction of capital; further facilities required also as regards return of capital, 829. 908. 988, 989.

Progressive increase since 1872 in the number of orders brought into chambers for winding up companies; also in the number of orders in cases pending, 830-834—— Advantage in the business of winding up being administered by the chief clerks of the Court rather than by the official referees, 835-840——Exceptions taken to the administration of bankruptcy business and of winding-up business by the same court or department, 841-843.

Approval of the right of a creditor who has recovered judgment to present a petition for winding up, compulsory liquidation being still desirable in some cases, 845-848—— Further suggestions as to the facilities desirable to be given for voluntary or private liquidation, after the order has been made for compulsory liquidation, 849-856—— Limitation suggested as to the appointment of a provisional liquidator, 857, 858.

Checks desirable so as to prevent any private or improper arrangement between the solicitor in the case and the official liquidator; very large powers of the latter adverted to hereon, 859-870——Testimony to the high character of the leading firms engaged in the business of official liquidation, 870——Very little check as regards the charges of

Report, 1877—*continued.*

Morris, John. (Analysis of his Evidence)—*continued.*

the liquidators; instances in the cases of the Agra a d Masterman Bank and the Albert Life Office, 871-873. 943-959.

Further advocacy of publicity; witness however not professing to be able to frame a satisfactory clause on the subject, in lieu of the 38th section of the Act of 1867; 881-900. 934-937——Explanation that on the whole witness would prefer an amendment of the 38th section rather than its repeal, 898-900. 921-927. 934-936. 960, 961.

Approval of the proposal that unless two-thirds of the capital is subscribed the company shall not be established, 904——Approval also of certain other proposals in Bill No. 2; 905-907——Grounds for the suggestion that under certain circumstances the requirement as to publishing a balance sheet may be departed from, 907.

Statement as to the directors of a company being restricted to the purposes of trade set forth in the memorandum of association, 909-914——Conditions subject to which the memorandum of association might be modified and enlarged, 915-920——Inadequacy of the judgment of the House of Lords, on appeal, as a means of preventing the difficulty in the interpretation of the 38th section of the Act of 1867; 924-927——Valuable but short-lived lesson taught by the experience of past frauds and panics, 928, 929.

Expediency on the one hand of not inducing the public to rely on the protection of the Legislature, whilst on the other some legislative restrictions are obviously desirable, 930-933——Suggestion that if it be decided by the Committee that the 38th section should be amended the duty should be undertaken by Government through its responsible officers; witness does not feel satisfied with his own proposals on the subject, 962, 963.

Doubt as to the advantage of specifying a certain form of accounts for all companies trading under the Acts of 1862 and 1867; 964——Approval of the balance sheet being furnished to the shareholders, though under certain conditions there might be power for withholding it, 965. 993-996——Unwise restriction by requiring the balance sheet to be sent to the registrar of joint stock companies so that it may be made public; great hardship in exceptional cases, 966, 967. 976-978. 993-998.

Obstacle to the capital being subscribed before the company is registered, 968——Difficulty in preventing companies being brought out with only a very small portion of their capital paid up, 969. 990, 991——Obstacles sometimes raised by liquidators, as being directly interested in prolonging the winding up, 970, 971.

Objection to its being compulsory to send reports of meetings to shareholders; limited attendance of the latter at meetings, 972-975——Majority necessary at a meeting of the shareholders before a company can be wound up, 979-981——Instances of the liquidator first appointed in compulsory cases being set aside at the request of the largest shareholders, 982, 983.

Statement as to the compulsory liquidator having been practically superseded in the case of the Bank of London, 984——Advantage of a committee of shareholders to confer with the liquidator, 985——Doubt as to there being already certain facilities for enlarging the powers contained in the memorandum of association, 999, 1000.

Mortgages. See *Debentures and Mortgages.*

N.

Newmarch, William, F.R.S. (Analysis of his Evidence.)—Considerable experience of witness in regard to joint stock companies, both in respect of their administration, and as having to deal with them as borrowers of money, 244, 245——Opinion that "The Companies Acts Amendment (No. 2) Bill" is a useful amendment of the present law; belief that it would prevent a great deal of the mischief which arises from the launching of companies not of a *bonâ fide* character, 246-257.

Approval of its being made fraudulent, under this Bill, for any director or other officer of a company to omit necessary particulars in the original prospectus, 249-257. 264-269. 287-299. 316-319——Favourable opinion of witness as to the forms of account which, under the Bill, it is proposed to make obligatory to be rendered by public companies; belief that the form of accounts proposed would apply substantially to all companies, 258-261. 275-286——Expediency of making it statutory that a report of the proceedings at all public meetings, according to the shorthand writer's notes, should be circulated among the shareholders, 261. 270. 303, 304.

Decided opinion in favour of the power proposed to be given of reducing the capital of a company; argument that as regards this matter there should be no difference between a private

Report, 1877—*continued.*

Newmarch, William, F.R.S. (Analysis of his Evidence)—*continued.*

a private firm and a joint stock company, 262. 323-335. 371-379——Objection to anything paternal, or protective, in the legislation in regard to joint stock companies; opinion that any attempt of the Legislature to protect creditors, who should exercise their own judgment, is going entirely in the wrong direction, 262. 284. 343-345.

Advocacy of a consolidation of the law in regard to joint stock companies, so as to make it perfectly clear and certain, 263-——Advantage in giving the registrar of joint stock companies the power to compel companies to file the necessary statements, 270, 271.

Information in regard to the liquidation and winding-up of companies; suggestion that this duty might be undertaken by a competent Bankruptcy Court, a judge of superior rank being selected to preside, 272–274. 305–308. 358-368.

Abuses which arise in the winding-up of companies on account of there being no supervision; the result is that at present the undistributed assets in the hands of various persons are said to amount to millions sterling, 272, 273. 362-368——Opinion that, as a matter of law, debentures would be considered the first charge upon the property of a company; explanation of the difference between a mortgage and a debenture, 300–302. 309-315——Desirability of simplifying the processes of the Act in every way, 320–322.

Doubtful advantage in requiring a deposit of money before registration; there would be no security in such a regulation, 337-339——Approval of an allotment not being binding unless a certain proportion of the capital is subscribed; it is not necessary to make it incumbent that every share should be taken before the company is registered, 340, 341. 370.

Opinion that so long as everyone invited to take shares in a company is fully informed as to the articles of association it is not necessary that the seven persons registering a company should take more than one share each, 342. 369——Beneficial effect of joint stock companies upon the trade of the country; larger profits made by private firms than by public joint stock companies, 347–357——Statement that, as a rule, no notice is given to the creditors of payment of dividends, 363, 364——Advantage to the general creditors in having every document of importance registered, 380–382.

[Second Examination.]—Disapproval of allotting fully paid-up shares to individuals as an inducement to become directors; belief that the concealment of such a fact in the prospectus is the suppression of a most material circumstance, 697–708. 758–762——Advantage in prescribing in the schedule to the Act the forms of accounts applicable to trading companies; opinion that this system of accounts would not have the effect of removing responsibility from the directors, 709-714. 718, 719.

Grounds for the opinion that it would not be expedient where the directors of a company had lost three-fourths of their capital that the company should be wound-up, and if not wound-up that the directors should be liable for any further losses; the responsibility in such case should be left with the directors and shareholders, 715–717——Conclusion that the report or balance-sheet of a joint stock company when published should be sent to the registrar's office, 719.

Question further considered as to the Legislature taking steps to protect both the shareholders of a company and the public against fraudulent acts; belief that the most efficacious mode of preventing abuses is to consolidate the law of limited liability, 720–724——Argument that the doctrine of *caveat emptor* should apply in the case of the public, 725–740.

Decided advantage in having the balance-sheet of all joint-stock companies registered, notwithstanding the fact that in some individual instances the accounts might be dishonest; belief that registration would not be injurious in any way to solvent companies, 731–757——Impossibility of more clearly defining the necessary information to be given in the prospectus of a company, than by the words of the bill, "material contents," 758–762.

Additional statement with reference to the large sums in the hands of liquidators throughout the country, unclaimed by creditors, 763, 764——Desirability of making the liability to file accounts retrospective as regards existing limited liability companies, 765–767.

Opinion that the existing law is not calculated to embarrass persons acting *bonâ fide* in the formation of companies, 768–775——Large administrative experience possessed by witness as a director in several companies, 776–780——Complaint generally as to the delay, uncertainty, and expense which attend the whole process of liquidation; absence of sufficient constant control over the acts of the official liquidator, 781–793.

Notice of Payment of Dividends. As a general rule no notice is given by the liquidators to the creditors as to payment of a dividend, *Newmarch* 363, 364.

Notice of Payment of Dividends—continued.

Denial of the statement that in the case of the payment of dividends it often happens that no notice is given to the creditors by the liquidators, *Turquand* 409–411. 571–574; *Price* 1065.

Explanation by Mr. Turquand that the notice of the declaration and payment of dividend has invariably been given in every case, *App.* 181.

Notices by Creditors. See *Petitions.*

Number of Companies. Statement showing the number of companies registered under the Act of 1862, in each of the years 1862-77; total of 12,879, *App.* 178.

Number of Partners (*Limited Liability Companies*). Opinions favourable to further facilities to individuals, irrespectively of number, to go into limited liability enterprises; satisfactory working of such facilities in France and other countries, *Sir G. Jessel* 2225. 2258, 2259. 2275-2284. 2300-2317. 2336. 2346-2348.

Grounds for objecting to one or two persons sufficing for the registration of companies as limited, *Sir R. Malins* 2474–2478——Reasons for requiring not less than seven or ten members when a private firm is converted into a joint stock company, *ib.* 2491–2495. 2537–2540.

O.

Orders (*Winding-up*). Progressive increase since 1873 in the number of orders brought into Chambers for winding-up companies; also in the number of orders in cases pending, *Morris* 830–834——Gradual diminution in the amount of winding-up business, *Price* 1375, 1376.

Overend, Gurney & Co. Details respecting the liquidation in this case, with which witness was officially connected; payment of the creditors in full after the expiration of four years, *Harding* 1413–1424. 1571–1589. 1652–1659——Failure of the company for nearly twenty millions sterling, *ib.* 1413——Large amounts borrowed by the liquidators with the view of relieving the shareholders from undue pressure, *ib.* 1415–1419.

Information respecting the mode of remuneration of the liquidators; payment of upwards of 26,000*l.* to each liquidator, exclusive of payments for clerks, &c., *Harding* 1420–1424. 1571, 1572. 1653, 1654——Continued employment by the liquidators of a large proportion of the old staff of clerks; payment to the secretary of his former salary of 1,500*l.* a year, *ib.* 1424. 1573–1576. 1589.

Unduly large margin of liability in the case of Overend, Gurney & Co., *Sir R. Malins* 2362. 2448——Explanation of the principle adopted by witness in the winding-up of this company, the result being that the shareholders have been recouped some 5*l.* or 6*l.* per share out of the calls made upon them, *ib.* 2362, 2363——Insolvent state of the company from its first formation, *ib.* 2496, 2497.

P.

Penalties. Absence of authority for the registrar of joint stock companies to enforce the statutory obligations on any company; this can only be done by a shareholder or a common informer, and not by a public officer, *Cousins* 20–22. 62–64. 80, 81. 93–96. 100——Desirability of giving a power to the Board of Trade to proceed for penalties for breaches of the law, *ib.* 22. 128——Information relative to the penalty of 5*l.* a day for omission to make certain returns in connection with the 27th section of the Act of 1862, *ib.* 179–183. 230–238.

Alternative means by which non-disclosure of material contracts might be punished, instead of by making the prospectus fraudulent, *Sir G. Jessel* 2342–2345.

Recommendation [illegible] the Committee that the solicitor of the Treasury should be directed to require and if necessary, to sue for the penalties provided by the Acts for default in making returns, with power to the Lords of the Treasury to remit or mitigate such penalties at their discretion, *Rep.* iii.

See also *Fraud.*

Petitions (*Winding-up*). Practice of the Court of Chancery that in any case of winding-up, the first applicant has the carriage of the order; ground for the opinion that this system is objectionable, *Turquand* 450–456. 530–532. 673–682——Grounds for the suggestion that the twenty-one days' notice to pay be abolished altogether, *Morris* 803, 804. 844——Suggestions

Report, 1877—*continued.*

Petitions (*Winding-up*)—continued.

——Suggestions for the amendment of the present system as regards the power of any creditor upon giving twenty-one days' notice of demand to petition for winding-up, *Price* 1043. 1091–1093. 1106–1112. 1273, 1274——Instances of winding-up petitions merely for the sake of the costs; sufficient power for dealing with this abuse, *Sir R. Malins* 2584, 2585.

Phosphate Sewage Company. Comment upon the abuse in the formation of this company, *Sir R. Malins* 2392. 2513.

Price, Samuel Lowell. (Analysis of his Evidence.)—Is an accountant, and has been extensively employed as liquidator of joint stock companies, 1001, 1002. 1060——Appointment of the liquidator by the Court in compulsory liquidations, and by the shareholders in the two kinds of voluntary liquidations; check through the Court in the case of liquidation under supervision, 1003–1007——Scale of payment adopted by the Court for the payment of liquidators in compulsory cases; particulars relative to this scale, which is partly according to time and partly according to the amount paid to unsecured creditors for dividend, 1008–1039.

Approval of the scale of payment in those cases in which the assets bear a certain proportion to the liabilities, or not less than twenty-five per cent., 1017–1020——Very unsatisfactory working of the scale in some cases, 1017. 1020, 1021——Suggestion that in the earliest stage of the liquidation the principle of payment, whether by time or by commission, should be fixed by some authority, 1017. 1021. 1032. 1178.

Instance of exceedingly small assets in proportion to liabilities, the liquidator's payment being altogether inadequate in such case, 1020, 1021——Great delay in some cases before the liquidator is paid, there being no payment till assets are got in, 1021. 1033–1038. 1267——Explanation of the check upon excessive charges for time; belief as to there being sufficient protection against abuse, 1023–1031. 1085–1090. 1259–1261.

Opinion that by far the most advantageous mode of winding-up is that of voluntary liquidation under supervision, 1040. 1207——Suggestion for the appointment of a consultative committee, who should advise and act with the liquidator in the progress of the liquidation, 1040. 1210–1214——Certain cases in which compulsory liquidation is still very desirable; increased delay and expense, however, as compared with voluntary liquidation under supervision, 1040–1043. 1207.

Suggestions for the amendment of the present system as regards the power of any creditor, upon giving twenty-one days' notice of demand, to petition for winding-up, 1043. 1091–1093. 1106–1112. 1273, 1274——Grounds for strongly objecting to the necessary appointment in all cases of an officer of the company as provisional liquidator, 1043, 1044. 1166–1170——Unsatisfactory system in the appointment of official liquidators; expediency of fuller notice before appointment to the parties interested, 1044.

Evidence adverse to a class of officials, paid by salary, who should do the work of liquidation; loss thereby of the responsibility which now attaches to liquidators, greatly to the benefit of the estates, 1043–1057. 1105. 1128–1138. 1157–1165——Occasional advances by witness out of his own funds in order to increase the value of the assets; nature of his security in such cases, 1053–1057. 1071–1083. 1097–1099——Suggestion that periodical accounts be sent to the parties interested, showing the progress of the liquidation, 1058.

Inaccuracy of the statement that liquidators hold very large sums in their hands, or mix up the moneys realised in liquidation with their own moneys; explanation hereon of the practice of witness' firm in distinguishing between the accounts at the bank to which receipts are paid, 1058–1060. 1062. 1101–1104. 1215–1237.

Decided objection to a transfer of winding-up cases to the Court of Bankruptcy; reference hereon to the diverse decisions of the Registrars in Bankruptcy, 1061. 1282, 1283——Explanation showing the unavoidable character of the great delay which occurs in some liquidations, 1062. 1116——Advantage if the Court had a discretion to close the accounts though some small assets were still outstanding; approval of a report by a committee of supervision to this effect, 1062–1065. 1100. 1284–1286.

Inaccuracy of a statement as to dividend notices not being regularly sent to all the creditors, 1065——Approval of some check in regard to the power of the liquidator in voluntary cases as to drawing the money from the bank; very rare instances of any default of liquidators, 1067–1070. 1139, 1140——Official check as regards drawing out money in compulsory liquidation, 1069. 1104——Advantage of the liquidation ceasing as soon as the debts in any case are paid in full, 1084.

Grounds for objecting to the chairman of a company, or one of the directors, acting as liquidator, 1094–1096——Satisfactory working on the whole of the present system of liquidation; dissatisfaction in any case of creditors not paid in full, 1113–1115——Willingness of respectable firms to act as liquidators, the scale of remuneration being on the whole reasonable, 1116–1120——Advantage if the selection of the liquidator rested

Report, 1877—*continued.*

Price, Samuel Lowell. (Analysis of his Evidence)—*continued.*

still more with the judge, 1121, 1122——Appointment generally of accountants, 1123–1126.

Further state ment as to the present scale of payment being unsuitable in some cases, payment by commission being more satisfactory, 1127——Explanation of the practice as to security when official liquidators have the management of large assets, suoh as those of the Albert and European Insurance offices; very large amounts which passed through the hands of witness' firm in these cases, 1141–1159——Increased delay, and less close attention, if there were salaried liquidators, 1157–1165.

Explanations with further reference to the proposed appointment of a consultative committee of shareholders or of creditors, who should act in concert with the liquidator, 1171–1178——Approval of voluntary winding-up without supervision in cases of amalgamation, &c., 1179–1184——Beneficial working on the whole of limited liability under the Acts of 1862 and 1867; 1185–1190. 1238–1240.

Approval of increased facilities rather than increased restrictions in reference to the working of new companies, 1191, 1192——Expediency, however, of its being obligatory to make accounts and balance sheets more accessible and more public, 1192–1200——Approval of an assimilation of the practice in Chancery to that in bankruptcy as regards certain details in connection with rent, salaries, &c., 1201–1209——Limited extent to which unclaimed dividends remain for any time in the hands of liquidators, 1227–1237.

Advantage of a limited partnership rather than of a public company for the conduct of small concerns, 1241–1244——Expediency of not less than ninety per cent. of the capital being subscribed before applications for shares are binding, 1245–1258. 1298, 1299——Discontinuance of the former system of bringing out companies with a very small portion of capital paid up, 1253. 1353——Dissent from the view that whilst solicitors' bills are taxed there is no corresponding check upon liquidators' charges, 1259–1266.

Explanation that in compulsory liquidations the liquidator cannot pay himself, 1268–1272——Effectual checks upon the liquidator in compulsory cases retaining large balances in his hands or in his private accoun at the bank, 1275–1281——Belief as to the entire inaccuracy of a statement that official liquidators demand commission from auctioneers, 1287–1290.

Particulars relative to the costs of liquidation in the case of the Albert Insurance Company, witness having been one of the joint official liquidators; immense increase of expense if the liquidation had been continued, instead of the case being referred to arbitration, 1291–1293. 1354–1369——Expenses of this company to the amount of 60,000 *l.* a year, previous to the winding up; enormous sum paid by the company for amalgamations, 1293. 1377–1380.

Doubt as to the expediency of Clause 4 in Amendment (No. 2) Bill, on account of the difficulty of defining the particulars to be disclosed, 1295–1297——Approval of Clauses 5 and 6 of the Bill, with some amendment, 1298–1300——Exception taken to the proposal in the Bill as to the directors submitting a report of their proceedings, 1301–1303——Suggestions relative to the proposals in the Bill on the subject of the balance sheet, and the particulars to be set forth therein, 1304–1308.

Amendment suggested as to the items proposed by the Bill to be given in the profit and loss statement, 1309–1311——Approval of the form of certificates to be required of directors, 1312——Exceptions taken to the proposed form of the auditor's certificate, 1313–1317——Inexpediency of the directors being required to furnish accounts in a particular form, without providing that all necessary information shall be given, 1317——Approval of the liquidator being required to give an annual account to the parties interested, 1318.

Importance of a substantial guarantee for the *bona fides* of companies in their inception, 1319, 1320——Expediency of periodical accounts properly audited and certified, 1321–1323——Further consideration of objections to the system of payment of liquidators by time, 1324–1334.

Objection to a separate representation of the creditors and shareholders in the liquidation, 1335–1338——Power of an individual creditor or shareholder to bring the liquidator before the court, 1338–1342——Higher dividends paid in liquidation than is generally supposed, 1343–1346.

Instances of shareholders having been misled by the prospectus as to the amount of their liability, 1350–1353——Improvement if winding-up cases were dealt with by one judge, with a separate staff of chief clerks, 1370–1374——Less delay by some restriction on appeals, 1371–1373——Gradual diminution in the amount of winding-up business, 1375, 1376——Check to the formation of bubble companies by requiring the whole of the capital to be subscribed, and a certain portion paid up in the first instance, 1381, 1382.

Private

Private Firms. Advisability of encouraging under certain circumstances the conversion of worn-out private firms into vigorous joint stock companies, *Chadwick* 2121, 2122—— Belief that there are not nearly so many fraudulent failures of private as there are of public companies, *ib.* 2146–2152.

Profit and Loss Statement. Amendment suggested as to the items proposed by the Bill to be given in the profit and loss statement, *Price* 1309–1311——Opinion that the form of the profit and loss account in the Amendment Bill does not give sufficiently full particulars, *Harding* 1488–1493.

Profits of Companies. Opinion that an average profit of from six to eight per cent. over a series of years is a very good result for a joint stock company, *Chadwick* 2010–2018.

Promotion and Formation of Companies:

Opinion that the existing law is not calculated to embarrass persons acting *bonâ fide* in the formation of companies, *Newmarch* 768–775——Great importance attached to full publicity on the part of promoters, the difficulty being to draw a clause which shall secure this, *Morris* 818–826. 896–899. 934–937.

Approval of increased facilities rather than increased restrictions in reference to the working of new companies, *Price* 1191, 1192——Importance of a substantial guarantee for the *bonâ fides* of companies in their inception, *ib.* 1319, 1320.

Great importance of exacting the fullest particulars possible in first starting of a company; numerous instances in which important information has not been afforded to the public, *Chadwick* 1936 *et seq.* 1963–1973.

Information respecting the high character of the companies promoted by witness; companies have been floated by his firm to the extent of 40,000,000 of capital, *Chadwick* 1948–1951. 1993–2005——General charge of one per cent. made by witness for the sale of property, and for the formation of a joint stock company, *ib.* 1973. 1985. 1988–1990——Statement of the circumstances which generally influence witness in bringing out companies; refusal of numerous offers of business on account of the terms proposed being unreasonable or ineligible, *ib.* 2027–2059.

Additional information in regard to the system of witness' firm in the formation of joint stock companies; infrequent instances of these companies failing, *Chadwick* 2070–2082. 2110–2116——The promoters who are the largest shareholders in a newly formed company do not on that account possess a preponderating influence in the management of its concerns, *ib.* 2089–2092——Extent to which the stability of companies is guaranteed by witness' firm, *ib.* 2101–2103——Absence of charge in the case of companies which are not eventually formed, *ib.* 2108, 2109.

Belief that the want of clearness in the existing Companies Acts has, to a great extent, given facilities for the formation of unsound companies, *Chadwick* 2120——Great care taken by witness' firm to investigate the circumstances of every company recommended by them to the public; they are the auditors of nearly every concern which they have formed, *ib.* 2156–2161.

Sufficiency of the present law for the punishment of fraudulent promoters as well as directors, *Sir G. Jessel* 2212–2218. 2322–2330.

Frequent instances of false statements by promoters and directors in order to induce the public to take shares, *Sir R. Malins* 2365——Approval of a suggestion in regard to the promoters paying up in full, *ib.* 2444, 2445.

Importance attached by the Committee to the necessity of securing, as far as possible, in the formation of a company, a full disclosure of everything likely to influence any one proposing to become a shareholder, *Rep.* iii.

See also *Capital.* *Financial Agents.* *Memorandum and Articles of Association.* *Prospectus, &c.* *Public, The.*

Prospectus (Disclosure of Contracts), &c.:

Approval of its being made fraudulent for any director or other officer of a company to omit necessary particulars in the original prospectus, *Newmarch* 249–257. 264–269. 287–299. 316–319——Great advantage in requiring the statement of every material circumstance on the face of the prospectus, *Turquand* 461–464. 534–536——Impossibility of more clearly defining the necessary information to be given in the prospectus of a company than by the words of the Bill, "material contents," *Newmarch* 758–762.

Advocacy of publicity; witness, however, not professing to be able to frame a satisfactory clause on the subject in lieu of the 38th section of the Act of 1867, *Morris* 818–826. 881–900. 934–937—— Hasty manner in which the 38th section of the Act of 1867 was prepared and passed, *ib.* 827, 828——Explanation that on the whole witness would prefer an amendment of the 38th section rather than its repeal, *ib.* 898–900. 921–927. 934–936. 960, 961.

Report, 1877—*continued.*

PROSPECTUS (DISCLOSURES OF CONTRACTS), &c.—continued.

Suggestion that if it be decided by the Committee that the 38th section should be amended, the duty should be undertaken by Government through its responsible officers; witness does not feel satisfied with his own proposals on the subject, *Morris* 962, 963.

Doubt as to the expediency of Clause 4 in Amendment (No. 2) Bill, on account of the difficulty of defining the particulars to be disclosed, *Price* 1295–1297——Instances of shareholders having been misled by the prospectus as to the amount of their liability, *ib.* 1350–1353.

Opinion that a little more stringency in the Limited Liability Act would have saved a very large amount of money, *Harding* 1428——Approval of requiring the fullest information being given to intending shareholders in new companies, *ib.* 1447. 1478–1481.

Difficult alternative between the advantage of disclosing all contracts and necessary particulars, and the prejudice which may be caused by such disclosures, *Church* 1823–1825.

Advocacy of the clauses proposed by witness for securing the disclosure of particulars in the prospectus, *Chadwick* 1936 *et seq.*——Decided approval of the principle of the Act of 1867, and of the 38th section in an amended form; respects in which defective, *ib.* 1937–1940——Conclusion that no prejudice would be caused to any company if the particulars required by witness' Bill were enforced by law, *ib.* 1944. 2165——Information respecting the issue of the prospectus, which is invariably done before the money is obtained, *ib.* 2045–2059——Opinion that Parliament cannot be too rigid in enforcing the disclosure to the shareholders of all facts and circumstances connected with property about to be formed into a company, *ib.* 2130, 2131. 2145.

Facility on the part of honest directors in making full disclosure of contracts, &c., without an Act of Parliament, whilst dishonest men can evade the provisions on the subject, *Sir G. Jessel* 2178–2240——Consideration of Clause 4 in the Bill before the Committee; grounds for objecting to various provisions therein as to the matters to be disclosed in the prospectus, &c., *ib.* 2179–2189.

Importance attached by the Committee to the disclosure of everything likely to influence intending shareholders, *Rep.* iii.

See also *Litigation.* *Promotion and Formation of Companies.* *Public, The.*

Public, The. Question considered as to the expediency of drawing a distinction between the measures necessary for the protection of shareholders and those necessary for the protection of the public; argument that the doctrine of *caveat-emptor* should apply in the case of the public, *Newmarch* 262. 284. 343–345. 725–740.

Decided approval of the Act of 1862, and of the principle of leaving the public to protect themselves, *Morris* 819. 829. 874–880. 930——Valuable but short-lived lesson taught by the experience of past frauds and panics, *ib.* 928, 929——Expediency on the one hand of not inducing the public to rely on the protection of the Legislature, whilst on the other some legislation restrictions are obviously desirable, *ib.* 930–933.

Considerable influence formerly exercised over the public by their seeing well-known names in the prospectus; at the present time this confidence is somewhat shaken, *Harding* 1447. 1621–1624——Belief that under the proposed Act there would be no falling-off in the formation of companies, and consequently that legislation would continue as heretofore, *ib.* 1472–1477.

Belief that the losses which have resulted from the discredit of limited companies have led to much greater care on the part of the public before applying for shares, *Church* 1910–1912——Further consideration of the amount of protection afforded to the public by the Acts of 1862 and 1867; opinion that the policy of these Acts in the application of limited liability to small concerns has not been successful, *ib.* 1917–1935——Effect of the provisions in the Amendment (No. 2) Bill to give a false security to careless persons, and to deter honest persons from joining new companies, *Sir G. Jessel* 2196. 2248–2252. 2265.

Inability of the public to protect themselves, shares being largely taken by persons who do not understand their liability, and are very readily deceived, *Sir R. Malins* 2364, 2365. 2369——Explanations with reference to the proposal that a public officer should supervise the memorandum and articles of association; question hereon whether the public might not be misled into false security by this means, *ib.* 2374–2380. 2429–2440. 2508–2515.

Public Prosecutor. Suggestions with reference to the question of appointment of a public prosecutor, the difficulty really being one of expense; way in which the Solicitor of the Treasury might be instructed to prosecute in cases of fraud under the Companies Acts, *Sir G. Jessel* 2243–2247. 2260–2264. 2333. 2351–2356——Doubt as to the expediency of

Report, 1877—*continued.*

Public Prosecutor—continued.

of a public prosecutor in cases under the Companies Acts, *Sir R. Malins* 2459, 2460.

Publicity. See *Promotion and Formation of Companies. Prospectus, &c.*

Q.

Qualification of Directors. Disapproval of alloting fully paid-up shares to individuals as an inducement to become directors; belief that the concealment of such a fact in the prospectus is the suppression of a most material circumstance, *Newmarch* 697–708. 758–762——Objection to any inducement of a pecuniary character, beyond the ordinary fees, being offered to anyone to become a director; check at present to the system of providing a qualification, *Harding* 1469–1471. 1522–1525——Contention that the practice of finding a director's qualification is fraudulent, *Chadwick* 1998. 2019–2022. 2117–2119. 2161.

Practice of witness in dealing with directors whose qualification has been given them by the promoters in shares; full liability attached to such directors, *Sir R. Malins* 2482. 2520–2522——Invariable discountenance by witness of the practice of directors in accepting qualifications of shares from promoters, *ib.* 2520–2522.

R.

Reconstruction of Companies. Reconstruction of the Agra and other banks by witness' firm, after winding-up, *Chadwick* 1981–1984. 1986, 1987.

Reduction of Capital. Advantage taken of the Act of 1867, in regard to the reduction of capital, to the extent of thirty millions, *Cousins* 30——Decided opinion in favour of the power proposed to be given of reducing the capital of a company; argument that as regards this matter there should be no difference between a private firm and a joint-stock company, *Newmarch* 262. 323–335. 371–379——Advocacy of a power in companies to reduce the amount of their nominal capital; conditions under which companies can at the present time reduce their capital, *Turquand* 484–487. 508–511——Approval of certain facilities for reduction of capital; further facilities required also as regards return of capital, *Morris* 829. 908. 988, 989.

Valuable power given by the 9th clause of witness' Bill, by which the capital of a company may be reduced; instance in the case of the Ebbw Vale Company, in which the Master of the Rolls stated that he had no power to authorise a reduction of capital, *Chadwick* 1947. 2026.

Approval of power in the Court to dispense with the use of the word "reduced" as under the Act of 1867; practice of witness as to sanctioning reduction of capital, *Sir R. Malins* 2548, 2549. 2557——Doubt as to the object of a certain clause proposed on the subject of reduction of capital, *ib.* 2550.

Return of the companies which have taken advantage of the 9th section of the Act of 1867 authorising a reduction of capital, *App.* 175–177.

Registration. Expediency of adopting some system for clearing the register of the names of all companies which have ceased to exist; suggestions as to the mode in which this improvement might be effected, *Cousins* 4–9. 89, 90. 101. 109–115——Cases in which it is impossible for the Registrar of Joint Stock Companies to decide whether the Act has been complied with or the contrary, *ib.* 72–75.

Impossibility of furnishing an accurate return of the number of joint stock companies under limited liability where an order for winding-up has been made, on account of the absence of concert between the Registrar and the Court, *Cousins* 75–83. 192–198. 206–208——Fee of 1 *s.* charged for the inspection of documents in the Registrar's office, *ib.* 84–86.

Expediency of giving the Registrar of Joint Stock Companies the power to compel companies to file the necessary statements, *Newmarch* 270, 271——Advantage to the general creditors in having every document of importance registered, *ib.* 380–382.

Expediency of an interim and a final registration in order to ensure that the necessary capital has been subscribed, *Harding* 1629–1631. 1665, 1666——The registration of documents and contracts would only protect the public in the formation of a company, and not subsequently, *ib.* 1678–1688.

Documents required by the Acts to be forwarded to the Registrar, *App.* 159–174.

Recommendation by the Committee that there be a provisional registration for the purpose

Registration—continued.

purpose of issuing the prospectus and obtaining applications for shares, *Rep.* iii——Also that there be a complete registration, when the amount of capital proposed in the prospectus is subscribed, and the stipulated portion of it provided to be paid on the allotment of the shares is actually paid, *ib.*

Recommendation also that no company be allowed to commence business till its registration is complete, *Rep.* iii.

See also *Deposit on Registration. Fees. Memorandum and Articles of Association. Penalties. Returns.*

Returns (*Registration*). Out of about 7,000 existing companies, so many as 5,000 have neglected to make the returns required by the Act at some time or other during the last seven years; suggestion that the Registrar should be empowered to apply for these returns by circular, *Cousins* 54-57. 87-90. 92. 223-229——Notices of increase of capital or of the members of a company generally sent to witness in conformity with the Act of 1862; *ib.* 71.

Detailed information as to the returns which, under existing Acts, it is necessary for joint stock companies to make from year to year, *Cousins* 124-128——Returns as to the number of shareholders and other particulars which should be sent to the Registrar within four months of the registration of the company; inoperative character of the penalty or fine of 5 *l.* a day for a breach of this regulation, *ib.* 124, 125. 179-183. 230-238.

Conclusion of the Committee that the provisions of the Companies' Acts with reference to the returns required from companies under those Acts should be enforced, and the registrar of joint stock companies should be required to make a return from time to time to the Lords of the Treasury of the companies making defaults in such returns, *Rep.* iii——Recommendation as to the course to be pursued for enforcing penalties for default in making returns, *ib.*

S.

Shareholders. Majority necessary at a meeting of the shareholders before a company can be wound up, *Morris* 979-981.

See also *Assets. Calls. Committee of Consultation. Liquidations. Lists of Shareholders. Litigation. Voluntary Liquidation.*

Solicitors. Checks desirable so as to prevent any private or improper arrangement between the solicitor in the case and the official liquidator; very large powers of the latter adverted to hereon, *Morris* 859-870.

Advantages which accrue to a solicitor who gets an inefficient person to act as solicitor, *Harding* 1412, 1413——Exceptions taken to the present arrangements in regard to the relations between the solicitor and the liquidator; suggestions as to a subdivision of their duties, *Church* 1726-1743. 1789 1814. 1836-1838. 1841-1844. 1865-1868. 1885-1887——Difficulties in the way of the solicitor acting as liquidator, *ib.* 1736-1742——Statement that in the administration of private estates the accountant in a winding-up case is practically appointed by the solicitor, *ib.* 1801-1803.

Instances of collusion in the appointment of the solicitor by the petitioner for winding-up, *Sir G. Jessel* 2335——Decided objection to the liquidation being entirely carried out by the solicitor, the official liquidator being dispensed with, *Sir R. Malins* 2592, 2593.

Solvent Companies. Explanation that a company wound up under the winding-up Act is not thereby bankrupt, *Turquand* 630-632——Questionable expediency of making every company in liquidation bankrupt; frequent instances of liquidation in cases where companies perfectly solvent desire to place themselves upon a new basis, *Harding* 1509, 1510. 1547-1556——Witness is not aware of any company wound up paying 20 *s.* in the pound to the shareholders, *Sir R. Malins* 2454, 2455. 2468-2470.

Special Resolutions. Necessity for companies to make a return of all the special resolutions; this provision is generally strictly observed, *Cousins* 209, 215——Approval of a requirement that five-sixths of the shareholders should vote for the special resolution which alters the rules and regulations for carrying on the business of any company, as stated in the memorandum of association, *Harding* 1557-1570——Definition of the words "Special Resolution," as used in the 7th clause of witness' Bill, *Chadwick* 1962.

Syndicates. Great abuse under the system of syndicates, as in the case of foreign loans; some syndicates are, however, perfectly proper, *Sir R. Malins* 2561-2564.

T.

Thorley's Cattle Food Company. Formation of this company by seven persons signing the memorandum of association for one share each, the shares being only 1 *s.* each, *Sir R. Malins* 2365.

Trade. Beneficial effect of joint stock companies upon the trade of the country; larger profits made by private firms than by joint stock companies, *Newmarch* 347-357—— Advantage of a limited partnership rather than of a public company for the conduct of small concerns, *Price* 1241-1244.

Turquand, William. (Analysis of his Evidence.)—Is a member of the firm of Turquand Youngs & Co., Accountants; also is President of the Institute of Accountants, 383-385——Large experience of witness as a liquidator of joint stock companies, 386-388.

Information respecting the system adopted in the matter of liquidation; three classes of liquidation, the compulsory, the voluntary, and the voluntary under supervision of the Court, 389-411. 515-529. 542-550. 587-590. 618-625. 655-662——Advantage, especially in large cases, of voluntary winding-up under the supervision of the Court; grounds for this opinion, 391-397. 400-408. 515-526.

Denial of the statement that as regards the payment of dividends it often happens that no notice is given to the creditors by the liquidators, 409-411. 571-574——Committee of creditors appointed in bankruptcy cases; approval of the present law of bankruptcy as regards personal failures, 412-417. 497-502——Statement that there is no settled scale of charges for accountants, 419-424.

Absence of any provision in the Companies Acts requiring accounts to be rendered by liquidators from time to time, except in compulsory liquidations; accounts in these liquidations filed in the Court, 425-431. 445, 446——Practice of companies at the present time to diminish the nominal liability of the shares, which was not the case formerly; expediency of legislating with the object of preventing heavy liability on unpaid-up shares, 432-437.

Decided opinion that no company should be permitted to commence business until the whole of the capital named in the prospectus is subscribed, and a certain proportion is paid up; in Paris forty per cent. must be paid up before commencing business, 438-444. 465, 466. 503-505. 537-541. 611-613.

Practice of the Court that in cases of winding-up the first applicant has the carriage of the order; ground for the opinion that this system is objectionable, 450-456. 530-532. 673-682——Possible advantage in transferring the whole of the liquidations to the Bankruptcy Court; circumstances under which it would, however, be invidious to put companies which are winding-up into bankruptcy, 457-459. 594. 626-634.

Great advantage in requiring the statement of every material circumstance on the face of the prospectus of a new company; doubtful advantage in sending a list of the shareholders to every person taking shares, 461-464. 467-469. 534-536——Approval of requiring the issue of a report and balance sheet to each shareholder in a joint stock company; expediency of this account being sent to the shareholders at least ten days before the meeting of the company, 470-483——Advocacy of a power in companies to reduce the amount of their nominal capital; conditions under which companies can at the present time reduce their capital, 484-487. 508-511.

Assertion that the statement in regard to very large sums remaining in the hands of trustees in liquidation is not correct; creditors would not allow any large amount to remain undivided without interfering, 493-496. 571. 684, 685——Opinion in favour of sending the shorthand writers' notes of the meetings of companies to the shareholders, 512, 513——Information as to the time in which a company may be wound up compulsorily; circumstances in which a delay may be advantageous to the creditors, 523-529. 566-570.

Necessity, in the case of compulsory liquidation, for the money to be paid into the Bank of England, 551——Statement that in voluntary liquidations the money remains in the hands of the liquidator, and without security being given; admission that in these cases the money is to a certain extent in jeopardy, 552-556. 575-579. 683-693.

Explanation with regard to the remuneration received by liquidators in cases of a voluntary winding-up; strong objection to payment by time, as at present, 557-565. 595-609. 646-654. 665-672——Remuneration in compulsory liquidations according to a scale fixed by the Court in regard to the time occupied, 559-564.

Doubtful advantage of paying into court all sums received under every liquidation; considerable difficulties which would arise in withdrawing them when required, 585, 586. 591-593——Approval of the remuneration to the liquidator in large cases being by commission

Report, 1877—*continued.*

Turquand, William. (Analysis of his Evidence)—*continued.*

mission on the dividends paid; belief that this system of payment would lead to expedition, and also to the best realisation of the assets, 596-604.

Suggestion that in every winding-up the creditors and the shareholders should appoint a Committee for the purpose of fixing the remuneration to the liquidator, and for supervising his acts during liquidation, 605-609. 659——Desirability of statutory power in order to require that in all cases of liquidation accounts shall be rendered periodically by the liquidator, 609, 610.

Experience of witness to the effect that the present system of liquidation is beneficial to the public, the creditors, and the shareholders; considerable advantage in employing an independent person as liquidator, 618-621——Difficulty of suggesting any plan by which the costs of liquidation can be reduced; large expenses always resulting from legal contests, 622, 623. 635-637——Explanation that a company wound up under the Winding-up Act is not thereby bankrupt, 630-632.

Question considered as to the expediency of making the liquidators officers of the Court; belief that if this could be done it would tend to simplify matters and save expense, 638-645——Opinion that a decreasing scale of remuneration would not be expedient, because the assets which come in last are those which it is most difficult to realise, 648-650——Absence of necessity for the debenture capital to bear any proportion to the share capital in a limited liability company, 661——Belief that debenture loans, in order to become legal charges, must be registered by the Registrar of Joint Stock Companies, 662.

Impracticability of reducing the per-centage of cost of winding-up, in relation to the collection of the assets, to an average, 667——Greater cost of winding-up by liquidation than by means of ordinary bankruptcy, 668.

Consideration of the most desirable mode of appointing the liquidator in a case of compulsory winding-up; the Court can best select a fit person for the duty, 673-682——Suggestion that it might be desirable to require directors to wind up a company that had lost three-fourths of the capital, and if not wound up, that the directors should be liable for further loss, 694-696.

U.

Unclaimed Dividends. See *Assets.*

Universal Non-Tariff Insurance Company. Statement showing the great abuse in the case of this company through commencing business with less than 3,000 *l.* capital out of a nominal capital of 250,000 *l.*; *Sir R. Malins* 2380-2384. 2542.

Unlimited Liability. Success of the Acts of 1862 and 1867 in remedying the evil that a company could not, as a matter of right, engage in business without risking the whole fortune of each of its members, *Rep.* iii.

V.

Valuation of Assets. Explanation as to the means adopted for ascertaining the value of the property which passes through the hands of witness; general distrust of valuers as a body, on account of their acting, not independently, but as advocates, *Chadwick* 2083-2088. 2093-2101. 2104-2107. 2126-2145. 2153-2155.

Voluntary Liquidation. Decided approval of the power of companies which have practically ceased to exist, to wind up without the operation being compulsory; grounds for this opinion, *Cousins* 102-108. 170-173. 129-163. 184-191. 241-243——Advantage, especially in large cases, of voluntary winding-up under the supervision of the Court, *Turquand* 391-397. 400-408. 515-526.

Suggestions as to the facilities desirable to be given for voluntary or private liquidation after the order has been made for compulsory liquidation, *Morris* 805, 806. 849-856——Instances of the expediency of cases being taken out of the hands of the official liquidator and placed in charge of the parties interested, *ib.* 805, 806——Special importance of the parties interested being trusted to look after their own affairs as much as possible, *ib.* 814.

Two kinds of voluntary liquidation in addition to compulsory liquidation, *Price* 1004——Opinion that by far the most advantageous mode of winding-up is that of voluntary liquidation under supervision, *ib.* 1040. 1207——Desirability of still permitting the privilege of voluntary liquidation, free from the cost of legal proceedings, *Church* 1845.

W.

Winding-up (Joint-Stock Companies). See *Compulsory Liquidation. Liquidation. Voluntary Liquidation.*